

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER
Friday February 10 1984

No. 29,243

D 8523 B

Algeria	Sch 18	Indonesia	Rp 2500	Portugal	Esc 20
Bahrain	Dh 9.950	Italy	L. 1100	S. Arabia	Ri 9.00
Belgium	Bfr 36	Japan	Y 1550	Swaziland	Sz 4.10
Canada	C\$ 80	Jordan	Jd 500	Taiwan	Nt 100
Ceylon	Rs 200	Korea	W 400	Thailand	Bt 50
Denmark	Dkr 7.25	Lebanon	L 100	Turkey	L 1.80
Egypt	E£ 10	Luxembourg	Lfr 36	U.A.E.	Dh 6.50
France	Ffr 6.50	Malaysia	M 4.25	USA	\$ 1.00
Germany	DM 2.20	Mexico	P 300		
Greece	Dr 160	Norway	Nkr 5.00		
Hong Kong	HK\$ 12	Philippines	P 20		
India	Rs 15	Singapore	S\$ 4.10		

NEWS SUMMARY

GENERAL

Calvi was killed, suggests Craxi

Italian Prime Minister Bettino Craxi appears to have endorsed the theory that Robert Calvi, the chairman of the collapsed Banco Ambrosiano Group, was found dead under London's Blackfriars Bridge, was murdered.

Sig Craxi told the commission investigating the banned P2 Freemasons' lodge that he thought Calvi's death could probably be traced to criminals connected with the lodge.

Macmillan an earl

Former British Conservative Prime Minister Harold Macmillan has been made an earl to coincide with his 90th birthday today. The Earl-dom is hereditary and is the first created for 21 years.

Dutch job losses

Dutch unemployment, which now stands at 860,000 or 17.8 per cent of the workforce, will pass the million mark next year according to the state-sponsored Central Planning Bureau.

Space shuttle delay

The U.S. space shuttle Challenger had its fourth setback when a problem in the craft's robot arm curtailed a free flight by two astronauts using rocket-powered backpacks.

South African denial

South Africa denied a charge by the Mozambique news agency that villages in Mozambique were swept away when South Africa opened an overflowing dam during last week's cyclone.

Flooding threat

Dutch army units reinforced the banks of the River Maas, which is in spate near the south Netherlands town of Roermond. The rain-swollen Rhine threatened to swamp Cologne's old town.

Avalanche danger

Four people were killed by avalanches in central Switzerland and at least three in Austria. After 60 hours of heavy snowfall there was a high risk of further avalanches.

Red brigades claim

A fire which caused heavy damage to the chemistry department of Milan University was claimed in the name of the Red Brigades, protesting against alleged mistreatment of jailed comrades.

Back pay riot

Riot police dispersed 4,000 angry shipyard workers who blocked Lisbon's Tagus Bridge for nearly an hour, demanding payment of back salaries.

Belgian expelled

Belgian television journalist Andre Darveville said he was expelled from Brazil after police seized film showing emaciated peasants attacking a food warehouse in the drought-stricken north east.

Union ban attacked

The socialist group at the European Parliament will table a resolution next week condemning the British Government's decision to ban trade union membership at the Cheltenham security centre.

BUSINESS

Scottish shipyard bids still open

SCOTT LITHGOW, the British Shipbuilders Clydeside yard, saw its takeover drama move into slower motion when the Government said it was still open to offers from bidders other than the Trafalgar House property group. Workers went on a one-day strike in protest at what they saw as an attempt to force through the bid, which would mean 2,000 redundancies. Page 10

DOLLAR touched a low of DM 2.7285 before closing at DM 2.733 (DM 2.755). It fell to SwFr 2.219 (SwFr 2.225), FFf 8.494 (FFf 8.4625) and Y232.75 (Y234.1). Its trade-weighted index was 129.8, its lowest this year, and down from 130.4 in New York it closed at DM 2.739, FFf 8.425, SwFr 2.232 and Y234.05. Page 37

STERLING

STERLING benefited from the dollar's weaker trend to finish at \$1.423, a rise of 1.05c. It eased slightly to SwFr 3.89 (DM 3.895), but rose to SwFr 3.16 (SwFr 3.15), FFf 11.9375 (FFf 11.93) and Y332.75 (Y331). Its trade-weighted index was 81.7 (81.9). In New York it closed \$1.4165. Page 37

GOLD fell 2 1/2% to \$383 1/2 in London. In Frankfurt it closed at \$383 (S386 1/2) and in Zurich at \$383 1/2 (S386 1/2). In New York the Comex February settlement was \$378.9 (S382.3). Page 36

LONDON: the FT Industrial Ordinary Index was 15.4 down at 10am, but rallied to close only 3.7 off at 801.3, a fall so far on the week of more than 31 points. Report, Page 31, FT Share Information Service, Pages 33-33

WALL STREET: the Dow Jones Index was 8.50 down at 1152.14 at the close. Report, Page 27, full share listings, Pages 28 to 30

TOKYO: the Nikkei Dow Index was off 98.05 at 10,001.54, and the Stock Exchange Index was 4.09 up at 779.21. Report, Page 27, leading prices, other exchanges, Page 30

AUSTRIA's balance of payments current account was Sch 1.3bn (S67.1m) in deficit last year compared with a Sch 7.9bn surplus in 1982.

MEXICO has secured subscriptions totalling \$2.2bn to the \$3.8bn loan it is seeking from commercial banks to cover this year's balance of payments. Mr William Rhodes, senior vice president of Citibank, has said.

TAIWAN has placed an order worth F1 60m (\$19m) with the Dutch shipyard, De Scheide. Page 5

BELL RESOURCES, the flourishing investment outfit of Mr Robert Holmes & Courtenay's Perth-based Bell Group has extended its holding in Broke Hill Proprietary, Australia's biggest company, to 8m shares and options, equivalent to about 2.3 per cent of BHP's shares, making Bell BHP's second largest individual shareholder. Page 16

FISONS, the British agrochemicals, pharmaceutical and scientific instruments group, is to buy Curtin Matheson Scientific from the private U.S. company Coulter Electronics for about \$85m. Page 25, Lex, Page 14

Mr Caspar Weinberger, the U.S. Defence Secretary, told Congress yesterday that the U.S. was "not leaving Lebanon." He said the heavy shelling of positions in the Syrian-occupied areas of the country was designed to demonstrate continued U.S. support for the Lebanese army and to underline that the plan to pull back the marines does not mean a weakened U.S. commitment.

The destroyer U.S.S. Moosbrugger unleashed a barrage of shells aimed at targets in Syrian-held territory east of Beirut last night. "She will fire 150 rounds before she is through," said a U.S. marine spokesman.

In separate briefings U.S. Administration officials strongly echoed Mr Weinberger's remarks, but continued to leave open the question of how long the U.S. is to maintain its current military posture.

The Administration has said only one third of the 1,500 marines from their base at the Beirut International Airport over the next three to four weeks and that the complete evacuation of the coastline to the ships of the U.S. Sixth Fleet, standing by off the coast, could take four months.

U.S. underlines intent to support Lebanese army

BY STEWART FLEMING IN WASHINGTON AND PATRICK COCKBURN IN BEIRUT

One official stressed yesterday that the timing was not yet fixed. The decision to phase it over months was a conscious move aimed at avoiding the impression that the U.S. was "cutting and running" from Lebanon.

"We could pull them out in 24 hours if we wanted to," the official said, adding that a decision could also be taken to send marines back into Lebanon.

Administration officials suggested yesterday that the U.S. was determined to use the military power at its disposal to try to bring about a political solution to civil war.

The decision to permit U.S. forces to fire freely into Syrian-occupied areas of the country is being presented in part as designed to protect U.S. and European military personnel in greater Beirut, but also to dissuade Syria from continuing to use its diplomatic and military power to block a political compromise.

The official pointed out that after the battering the U.S. guns gave positions in Syrian occupied Lebanon on Tuesday. There has been no firing from there today.

He added that U.S. reconnaissance flights over Syrian-occupied territory had not been fired on either.

"Somebody clearly understands that there is a slightly different military balance," the official added.

The evacuation of foreign residents is planned by several embassies. In addition to the British ones, scheduled to leave today, it is believed that Americans will also be evacuated. UK citizens are to be carried by helicopter to the port of Jounieh north of Beirut.

The battleship New Jersey, which fired more than 250 rounds on Wednesday, was silent yesterday and there was only scattered shelling of East Beirut.

A Druze leader passing through the area which had been shelled said that an entire village was wiped out and civilian casualties were heavy.

The Druze and the Shia, in addition to their Syrian backers, are out reacting militarily to the shelling by the U.S. Navy, believing that President Reagan is trying to save face after announcing the marines' withdrawal.

In a bid to restore calm Mr Nabih Berri, leader of the Shia militia Amal, which took over the west of the city from the army on Monday,

and the Shia militiamen who support it now control two thirds of Beirut. The insurrection had been spectacularly successful. Dr Sam Seblani, who has the curious distinction of being an Amal leader of a U.S. citizen, says that President Amal Gemayel controls little more than his presidential palace.

It may be premature to write off Gemayel so completely, but he has done almost nothing over the last week as power has ebbed away from his regime. His army never controlled the Shia stronghold of south Beirut, and on Monday he lost the west as well.

The Government has been beleaguered ever since the Israeli withdrawal from the Chouf Mountains last September left Beirut blockaded and almost besieged by President Gemayel's enemies. The coup de grace came more quickly than anybody expected. In the morning of February 2 an Amal member was killed by an army sniper. Amal militiamen responded by taking over a well-known army position at St Michael's Church.

As fighting spread, the Lebanese army used its heavy artillery to bombard the Shia strongholds in South Beirut. The hospitals filled with killed and injured. Last Saturday Mr Berri called for the army units to stop obeying President Gemayel and for Mr Chafik Al-Wazzan, the Prime Minister, to resign.

The Wazzan government resigned on Sunday, and at the same time the army tried to move a loyal brigade into West Beirut. Dr Seblani says he telephoned the army command at midnight to say that Amal knew of this plan, and to say that Amal would fight.

On Monday morning the militiamen poured into the streets fraternising with or, where opposed, fighting the army. By nightfall most of West Beirut was in their hands.

The army responded with a ferocious bombardment of civilian areas in the west of the capital. This indiscriminate use of artillery now makes it difficult for any Mideast politician to have anything to do with President Gemayel.

Mr Berri said yesterday that he held President Gemayel responsible for the deaths of the people killed when the army used heavy artillery against south and west Beirut. He said he considered President Gemayel "a murderer, a modern Nero."

Until force eyes Beirut vacuum. Page 4; Editorial Comment, Page 12

litamen off the streets of West Beirut and restore some normality. Twice his words were punctured by the harsh crash of an army firing a high-velocity round.

The Amal movement clearly intends to put the blame for any further fighting on the army and President Gemayel. They are also eager not to provoke the U.S. marines before they depart, and to assure the inhabitants of West Beirut that the new authorities are more sympathetic than Mr Gemayel's regime.

Barricades are being removed, the Gendarmerie is being sent into the streets to maintain order and most of the fighters are being sent to the battle line which divides the city.

It appears that Amal is being successful. There have been no more attacks on liquor stores or commandeering of private vehicles for undisclosed revolutionary purposes. Mr Berri compares the excesses in the first hours after the takeover of West Beirut with the impact of the electricity blackout in New York in 1969.

Despite this low profile, Amal

cent less than the winner, had strong British Government backing. The British Government was prepared to offer up to £50m (\$70m) worth of aid from the £1bn Aid and Trade Provision of its budget. Shortage of work for GEC Tractico in this area had placed a premium on gaining the contract.

Within Colombia the contract has aroused controversy and has been criticised as an unnecessary diversion of scarce resources at a time of recession. However, President Betancur, who is a native of the Medellin area, is publicly committed to going with the project. Any change in the contract could prove highly embarrassing.

Furthermore, delays in proceeding with the contract could affect Colombia's international borrowing plans for 1984. Within the next two months a group of West German banks was expected to lend \$200m for the project. This sum would account for nearly 20 per cent of Colombia's borrowing requirements from commercial banks.

The Medellin metropolitan railway system, consisting of a 24 km north-south line and a 3 km east-west line, is Colombia's first modern public transport venture. It was keenly contested by 11 consortia, conscious that Colombia also has plans for a second public transport system in the capital, Bogota.

The winning consortium, whose members are Entrecanales of Spain, and MAN and Siemens of West Germany, put in a bid which was considerably higher than others, including that of GEC. GEC said yesterday they were convinced their bid was more competitive, and that the way in which the contract was granted should be thoroughly investigated.

The GEC consortium bid, 9 per

Lambsdorff in fierce attack on bribe claim

BY JAMES BUCHAN IN BONN

COUNT Otto Lambsdorff, the West German Economics Minister accused of taking bribes from the Flick industrial group, yesterday sprang on to the offensive with a fierce rebuttal of the public prosecutor's indictment.

In a 25-minute outburst that electrified a packed parliamentary committee of inquiry, Count Lambsdorff made sharp and detailed attacks on the indictment handed him by the Bonn public prosecutor last December. Although Count Lambsdorff denied that he was quoting from the document, which is illegal in Germany, even friends were astounded at his audacity.

Chancellor Helmut Kohl has said that Count Lambsdorff must resign if a Bonn court this spring decides to proceed against him on the charges that cash gifts from Flick could have influenced his approval of tax exemptions for the concern.

In a cool and deliberate attempt to discredit the indictment, Count Lambsdorff gave a detailed alibi or other rebuttal for each of the four occasions in 1977 and 1980 when he is accused of taking cash from Flick officials. The public prosecutor says

that Count Lambsdorff received DM 135,000 in all, which the prosecutor alleges might have influenced his approval of the tax-free investment of capital gains by the company.

One meeting with Flick managers at which the indictment suggested cash could have changed hands simply did not take place, Count Lambsdorff said. He also said that the indictment suggested at another point that cash had been withdrawn for payment to him on July 9 1980 - a day when he happened to be in Tokyo representing the Bonn Government at the funeral of Masayoshi Ohira, the Japanese Prime Minister.

Count Lambsdorff said he had received permission from Herr Hans Matthiöfer, the Social Democrat Finance Minister who also approved the exemptions, to quote before the committee his own meetings with Flick managers at a time when Flick documents showed cash sums against his name. The investigation of Herr Matthiöfer was broken off.

"How did the public prosecutor come to different conclusions de-

Continued on Page 14

Democrats insist on defence cuts

BY STEWART FLEMING IN WASHINGTON

DEMOCRATIC leaders warned yesterday that they would not be willing to take part in discussions about cutting U.S. federal budget deficits unless President Ronald Reagan agreed to discuss reducing defence spending.

Senate majority leader Mr Robert Byrd of West Virginia said the next meeting of the group, proposed by the Administration for next week, could occur only after "the Administration submits to us 48 hours in advance specific areas of the Pentagon budget which it is willing to cut."

He added that he was speaking on behalf of Representative Jim Wright and Senator Daniel Inouye. They attended the first meeting of the working group of Administration and Congress members which earlier this week discussed a deficit-cutting "downpayment."

The Democrats' statement underlines their suspicions that they are being drawn into a situation in which they will find themselves

having to share the blame for the budget deficits with the Administration.

It also reflects their fears that the Administration is not willing to make serious cuts in the defence area, one part of the budget where they believe his savings are possible.

Meanwhile, Mr Paul Volcker, Federal Reserve Bank chairman, yesterday offered soothing words to Wall Street. He said he felt that the unease on the economy's future "may be overdone."

He added that his warning about the dangers of recession some time in the future if deficits were not controlled was "overblown" by the markets.

But he reiterated his fears about federal budget deficits and said that "there is increasing concern" over the stability of the dollar.

Debt rescheduling terms improve, Page 6

Shia leader to 'restore order'

BY PATRICK COCKBURN IN BEIRUT

"GIVE ME 24 hours - not longer - and the streets of West Beirut will be secure," said Mr Nabih Berri, leader of the Lebanese Shia community and the instigator of last Monday's insurrection in West Beirut which has led to the decision to withdraw the multinational force.

People were still waiting in the Lebanese capital yesterday to see if President Gemayel, who has said nothing for five days, and the loyal remnants of the 37,000 strong Lebanese army will in fact accept defeat.

Two brigades with tanks, the fifth and the seventh, are waiting on the Green Line which divides Christian East Beirut from West Beirut. The leaders of the Amal paramilitary movement, which carried out the rebellion, said yesterday that the army high command has lost control of its remaining troops, but they were concerned that individual brigade commanders might attack or shell Moslem areas.

Mr Berri explained, as he sat in his office 500 yards from the fighting, that he intended to get his mi-

GEC leads call for inquiry into Colombian rail contract

BY ROBERT GRAHAM, LATIN AMERICA EDITOR, IN LONDON

A BRITISH-WEST GERMAN consortium, headed by GEC, has protested strongly to President Betancur of Colombia over the way in which a \$830m contract was awarded for a public transport system in Colombia's second city, Medellin.

A letter from the consortium has been sent to Sr Betancur complaining of irregularities in the award last November to a group of West German and Spanish companies. Similar protests were sent by a French group led by Francorail, and a Spanish-East German consortium.

The protests have been sufficiently strong to oblige President Betancur to refer the matter to the country's Attorney-General.

A spokesman for GEC Tractico, the subsidiary directly involved in the bid, said yesterday that the consortium was confident that the contract would be reconsidered.

It is highly unusual for disappointed bidders to make formal protests in this manner. The only recent instance was the award of a

\$322m oil pipeline contract in Sudan in October last year to the Italian company ENI. The protests were made by disappointed Dutch and French bidders both to the Indonesian Government and to the International Finance Corporation in Washington.

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The GEC consortium bid, 9 per

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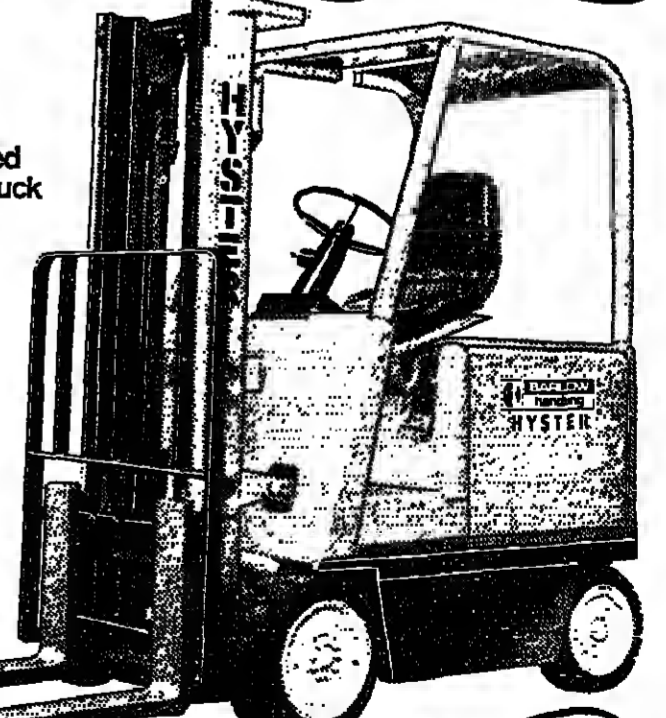
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INTERNATIONAL CAPITAL MARKETS

David Lascelles reports from Tokyo on a grudging concession to U.S. pressure

Japan keeps firm grip on Euroyen market

SIX WEEKS from now, on April 1, Japan is due to throw open the near-dormant Euroyen bond market, fulfilling part of its pledge to the U.S. to internationalise use of its currency.

The Bank of Japan estimates the size of the market at about the equivalent of \$30bn, a fraction of the trillion dollar plus Eurozone total. In the event years it has existed, there have been only 24 issues.

for obvious reasons, want to see the market opened up. They are already turning increasingly to foreign markets for their money to escape Japanese restrictions.

Electricité de France cashes in on buoyant trend to swap debt

BY MARY ANN SIEGHART IN LONDON

ELECTRICITÉ DE France is taking advantage of a buoyant Eurodollar floating rate note market to refinance its existing debt at a lower cost. It has launched a \$400m FRN issue through lead managers Banque Nationale de Paris, Credit Suisse First Boston (CSFB), Citicorp and Deutsche Bank.

The European Investment Bank is raising Ecu 75m through a 10-year bond with a 10% per cent coupon. Banque Bruxelles Lambert will price the deal on February 24 and the yield is expected to be around 10% per cent.

ENI boosts Ecu loan in response to demand

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

ENIte Nazionale Idrocarburi (ENI), Italy's state energy conglomerate, has asked its bankers to increase the loan it is raising in the Euro market to Ecu 450m from Ecu 250m because of very heavy order subscription.

especially those from Italy and France which are seeking to diversify away from borrowings in U.S. dollars.

Meanwhile, the State Bank of New South Wales is raising A\$40m through a five-year bond paying 12% per cent at par, led by Morgan Stanley, Samuel Montagu and Salomon Brothers.

Table with 4 columns: Issue, Feb 8, Feb 1, High, Low. Includes Composite Corp. AA, Government, Long-term, Intermediate, Short-term, Municipal, Industrial AAA, Industrial AA, Utilities AA, Preferred Stocks.

It is an eight-year credit divided into two tranches. One totalling \$450m bears interest at 7% per cent above London Eurodollar rates, while the other totalling \$150m carries an 0.2 per cent margin over U.S. prime.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 9.

Large table with columns: Issuer, Issue, Issued, Bid, Offer, Day, Yield, etc. Includes sections for U.S. Dollar, Swiss Franc, Deutsche Mark, and Yen.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT Washington, D.C. DM 200,000,000 8% Deutsche Mark Bonds of 1984, due 1994

Deutsche Bank Aktiengesellschaft, Dresdner Bank Aktiengesellschaft, Commerzbank Aktiengesellschaft, Westdeutsche Landesbank Girozentrale, etc.

U.S. \$150,000,000 CREDITANSTALT-BANKVEREIN Subordinated Floating Rate Notes 1996

EUROPEAN NEWS

Portuguese minister assails investments in public sector

BY OUR LISBON CORRESPONDENT
PORTUGUESE Governments \$1.4bn. Sr Veiga Simao blamed the crisis in Portugal's public sector on an over-dependence on external credit, misguided backing for unproductive projects and the deferral of price...

John Wyles in Brussels describes the implications of technical bankruptcy for the Common Market
EEC Budget: What happens when the money runs out?

AS EACH week passes without any tangible progress towards a settlement of the European Community's agricultural and budgetary crises, the thrill of apprehension deepens in Brussels. Nervously, and with some dread, diplomats and officials focus more and more on one simple question: "What happens when the money runs out?"

Yes, it could, but the possibilities are either legally dubious, politically unattractive, or both. Previous custom and practice is, however, ruled out. There can be no resort to a supplementary budget because the Community has already budgeted to spend all but 43m Ecu of funds available within the 1 per cent VAT limit.

Farm spending will be the target if the EEC runs out of cash. Doomsday predictions suggest misery, degradation and even revolution in the country side if the CAP is brought to its knees.

Article 200 of the Treaty to begin member states for ad hoc contributions. This move, even if legally possible, and other stratagems for handling the budget crisis, would run up against the reality of British policy however.

Council of Ministers. If there was no agreement by the end of March, then the Commission would probably set off its threat to withdraw all its price and reform proposals.
What could governments themselves do if the money runs out?
This is the most difficult question to answer, such as the political and legal uncertainties.

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11 1/2%

calculated on a daily basis. All of that interest is credited in full on the anniversary of your deposit.
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Almost anyone can invest in Deposit Bonds - personal investors, including children and two or more people jointly, and trustees, companies, clubs, voluntary bodies, etc.

M LAURENT FABIUS
Twin attacks leave popularity in tatters

BY PAUL BETTS AND DAVID MARSH IN PARIS
M LAURENT FABIUS, the youthful French Minister of Industry, is bracing himself for a particularly cold winter spell. By the side of his neat desk in his imposing ministerial office, logs are piled up in an unusually large number by the fireplace.
Nearly a year after he took over the industry and research portfolio from the always controversial M Jean Pierre Chevènement, M Fabius' honeymoon is over. A protégé, practically a favourite son of President François Mitterrand, he came into office promising a pragmatic, market-orientated and low profile approach to France's industrial problems.

National Savings Deposit Bond

DESCRIPTION
1 National Savings Deposit Bonds (NBonds) are Government securities issued by the Treasury under the National Savings Act 1969. They are registered on the National Savings Stock Register and are subject to the Statutory Regulations relating to the National Savings Stock Register in the time being in force so far as these are applicable. The principal of, and interest on, bonds are a charge on the National Loans Fund.

REDEMPTION
31 A holder must give three calendar months notice of any application for redemption before redemption has no prior notice is required if application is made on the date of the bond and the holder Any application for redemption of a bond must be made in writing to the National Savings Deposit Bond Office and be accompanied by the current investment certificate. The period of notice will be calculated from the date on which the application is received in the National Savings Deposit Bond Office.

NATIONAL SAVINGS DEPOSIT BOND - Application to purchase
To the Deposit Bond Office, Dept FT4 National Savings, Clarendon Way, London SW18 4LH
We accept the terms of the Prospectus and apply for a bond to the value of £
Name: Minimum purchase £500
Maximum holding £10,000
All purchases must be in multiples of £50

Low-key approach
M Fabius' low-key approach and his knack of side-stepping some of the more explosive issues have caused resentment among members of his own party. In the National Assembly this week, he came under attack from Socialist deputies complaining about a lack of consultation. And he has come under fire from both Right and Left for his handling of the salvage of La Chapelle d'Arbray, France's largest but sick paper-maker which is based in M Fabius' constituency of Rouen.

هكذا صحت القصة

EUROPEAN NEWS

Hard bargaining is expected on aid to ACP countries

BY IVO DAWNAY IN BRUSSELS

TALKS AIMED at renewing a third trade and aid pact between the African, Caribbean and Pacific (ACP) countries and the European Community opened yesterday with both sides striking a notably conciliatory tone after tough exchanges earlier in the week.

It is hoped that the new ministerial-level negotiations will clear the way to a new Lomé Convention for ratification by next February.

The current two-day session in Brussels is faced, however, with a series of hard bargaining sessions over the criteria for EEC aid donations which total about \$5.5bn (£2.8bn) over the last five-year agreement.

Earlier in the week, M Edgard Pisani, the EEC's development commissioner, told journalists that some member states might be reluctant to support the treaty if the 64 ACP countries failed to enter a new "policy dialogue" on how funds are spent.

He added that there is also pressure for the inclusion of an article requiring aid recipients to respect human rights. This latter demand follows wide-spread embarrassment among EEC countries at having to continue aid to countries governed by notorious dictators.

M Pisani's remarks brought a swift reaction from Mr Hugh Shearer, the ACP council president, who warned that the developing countries would not accept aid if conditions were attached which breached the principle of national sovereignty.

"There is a mutual benefit from the relationship between the ACP and the EEC, and an agreement must be reached on the basis of complete equality between the two parties," he said.

Despite this exchange, M Claude Cheysson, the French president of the EEC's foreign ministers' council, emphasised in his keynote speech yesterday that the Community acknowledged the principle of interdependence, recognising the "desperately serious" situation faced by developing countries' economies.

Britain urges caution on emerging technology arms

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

MR GEOFFREY PATTIE, the British Minister of State responsible for defence procurement, yesterday made a strong plea for caution on the introduction of so-called emerging technology (ET).

In the first public speech on the subject by a British minister since it became an important issue within the Nato alliance, he said that the use of ET for defence purposes was subject to very real constraints, both as to the extent of its use and the speed with which it should be introduced.

Emerging technology could provide one way of helping to reduce Nato's reliance on nuclear weapons by improving its conventional defence, Mr Pattie said.

But it could in no sense be considered a panacea. The new technologies were costly and posed serious problems for European industry in particular. Weapon systems based on them still needed a much study to determine their technical feasibility and effectiveness.

Mr Pattie was careful not to criticise overtly Mr Caspar Weinberger, the U.S. Defence Secretary, who has been urging Nato to agree a programme

which would involve the speedy purchase of a range of ET weapon systems.

These would range from stand-off missiles to precision-guided munitions, which could, for example, destroy a company of tanks 50 miles behind the enemy front line, as well as much new surveillance and communications equipment to make such weapons effective.

But this is one of several European countries which have privately urged caution within the Nato study group which was set up a year ago in look into the so-called Weinberger initiative on ET.

But this is the first time that Britain's objections have been publicly stated. Mr Pattie was talking to a conference on emerging technologies and defence capabilities organised by the Economist magazine.

Mr David Ashmore, the U.S. ambassador to Nato, who was also speaking at the conference, said that the transatlantic debate on ET was part of a much more profound debate over the continued viability of Nato strategy.

He believed that the strategy of flexible response was still valid, but ET could help rebuild the alliance's conventional forces.

New Greenland terms

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN Commission has produced more generous proposals to facilitate Greenland's withdrawal from the EEC, based on an annual "purchase" of fishing rights for European Community boats in Greenland waters.

These negotiations have lasted for more than a year. Success or failure has hinged on the Community securing sufficient access for its fishermen - principally West German - to waters whose fish provide the Greenlanders' main income.

Greenland wants to withdraw by January 1 next year.

The main point of the new proposal is the payment of Ecu 18.5m (\$15m) a year, in return for continued access for EEC fishermen for five years. Their catches of cod, shrimp, halibut and redfish would be maintained at current levels, but Greenland fishermen will be guaranteed their full quotas before the Community is entitled to its catch.

The Commission is maintaining its earlier proposal of a ten-year framework agreement granting Greenland overseas country or territory status, which would allow its fish products free access to the Community and qualify it for some grants and loans.

Romanian officials sacked

BY DAVID BUCHAN IN LONDON

SEVERAL SENIOR officials in the Romanian petrochemical industry have been dismissed or disciplined this week over a serious refinery explosion two months ago, which killed more than 100 people and has increased problems in this troubled sector of the Romanian economy.

The most prominent political casualty of the blast at the Teleajen plant is Mr Gheorghe Caranfil, Minister of the Chemical Industry since 1980.

Dismissal of Mr Caranfil and his deputy was ordered by the Communist Party's ruling political committee, which this week accused them of failing to ensure "conditions of full security" in the start-up of the Teleajen plant.

CAR ENGINES TO BE BUILT IN EAST GERMANY

Double benefit seen in VW deal

BY RUPERT CORNWELL IN BONN

A PLANNED deal for the production of Volkswagen car engines in East Germany has been warmly welcomed here, both as a political symbol and for the economic advantages it offers both countries.

The agreement is expected to be signed this summer, according to the West German company. It should run from 1988 to 1993, although VW is hoping it will provide the basis for even longer-term co-operation.

The deal provides for Volkswagen to supply equipment for a full-scale engine assembly line, capable of producing about 300,000 units per year, as well as light vans. Of these, 2,000 will be shipped to East Germany upon formal signature of the contract, and a further 2,300 annually for the five-year life of the agreement.

The total value of the deal is estimated here at around DM 600m (£150m). East Germany will not have to dig into its precious resources of hard currency, but make payment through engines it sends back to the West.

HERR GERT BASTIAN, a former tank general and a leading figure in the West German "peace movement," yesterday quit the parliamentary party of the Greens in the most serious setback for the young party since it entered the Bundestag last March, writes James Buchan.

Herr Bastian (59), who has repeatedly criticised the chaos and inefficiency of the Greens parliamentary party, will now sit as an independent. Should he be followed by two other deputies from the disgruntled group, the Greens will lose their privileges as parliamentary party and face political and financial disaster.

Herr Bastian, a man of great authority for the Greens' 2m voters, demanded last month that professionals be brought in to replace some of the group's "backers-up," who are supposed to take over from the 28 deputies halfway through the Parliament under the Draconian insistence of party empresses. "It's tragic," said one member of the group yesterday. "Green retired generals are few and far between."

The first contacts for the deal are reported to have taken place in summer 1982. But VW only won the contract after heating off competition from Renault and Mazda.

That it did so is also being hailed here as proof of the mutual interest of the two German states to work together, despite the present fraught state of East-West relations.

In recent days, there have been conflicting pointers to the climate in East Germany. Some reports have claimed that the authorities there have clamoured down further in contacts with relatives and friends in West Germany.

Others, however, suggest that East Berlin is about to grant an exceptionally large number of exit visas for would-be migrants to the West. This has, in turn, been linked to new suggestions that East Germany is seeking further financial aid from West Germany - something Bonn insists should be conditional on an improved human rights performance.

The new plant, whose site has not yet been settled, is expected to manufacture engines in the 1-1.3 litre class. Of the total output, 100,000 will be shipped back in basic form to West Germany for completion. The remainder will be available to power Wartburg and Trabant cars made by East Germany - and thus, according to analysts here, boost the export potential of these models.

The agreement is a milestone in VW's efforts to gain a solid footing in Eastern Europe. Recently, Renault and Citroen, two French carmakers, won orders to supply equipment for production of a diesel lorry engine. VW's previous East German success was an order for 10,000 of its Golf model, placed back in 1977.

Greece may halt operation of U.S. bases

BY ANDRIANA IERODIACONOU IN ATHENS

THE Greek Government of Mr Andreas Papandreu has officially warned the U.S. that it may suspend the operation of the four American military bases in Greece if the Reagan Administration's fiscal 1985 aid proposals for Greece and Turkey are not amended in Greece's favour.

The idea of suspending the base activities in reaction to the U.S. aid proposals was put forward by the Greek Prime Minister, in a headline speech to Socialist Party officials this week.

A Government spokesman said that the Greek position had also been officially conveyed to Mr Montague S. Ears, the U.S. ambassador to Athens and to Mr Ed Derwinski, the State Department envoy, who visited Athens this week on a tour of the region.

Greece is protesting because the U.S. military aid figures of \$500m for Greece and \$755m for Turkey for 1985 do not conform to a 7-10 ratio in Greece's favour. The U.S. Congress has applied this ratio informally since 1978, when an amendment

was introduced in U.S. aid legislation specifying the need to maintain a balance of power in the Aegean.

The Papandreu Government secured a reference to this amendment in the Defence and Economic Co-operation Agreement (Deca) signed in Athens last September. This ensured the operation of the U.S. bases for at least another five years.

The Americans have also undertaken in the framework of the agreement to provide Greece with military credits (SMS) at repayment rates not less favourable than those granted to other allies.

Greece is accusing the U.S. of violating this agreement. Apart from the departure from the 7-10 ratio, the Greeks are disturbed by the Reagan Administration's proposals for the introduction of a concessionary SMS rate, to be granted a select list of allies. Turkey, but not Greece, is on the list.

Article Seven of the Greek-U.S. base agreement grants the Greek Government the right to take "appropriate restrictive measures" to safeguard national interests in an emergency.

Oslo sets date for UK deal

By Richard Johns in Oslo

NORWAY wants a conclusion by the end of next week to negotiations between Statoil and the British Gas Corporation on the sale to the UK of gas from its Sleipner field.

In an interview in Oslo, Mr Kaare Christiansen, Minister of Oil and Energy, said that if the deal was not completed by February 20 the Government would have to submit a development plan promising an alternative source of revenue, by about 1990, to the Storting (parliament).

Mr Christiansen expressed confidence however, that agreement would be reached. "You never have solutions till the last round but one," he said, emphasising what he regarded as a common interest between Norway and the UK. "One faces a drastic revenue shortfall at the turn of the decade and the other prospect of an equally alarming fall in gas prices."

Mr Christiansen is to meet Mr Alick Buchanan-Smith, UK Minister of State for Energy, at a private seminar this week.

The Norwegian Minister said that the other option being considered by his Government was the go-ahead for a second phase of the Gullfaks oilfield.

Mr Christiansen made no bones about his Government's concern to maintain oil and gas revenues early in the next decade when output from fields presently being exploited or under development will plunge.

Bluff and brinkmanship have entered into the negotiations between the Government-owned Statoil and British Gas. Previously an end-of-1983 deadline was set by the Norwegians and apparently accepted by the UK public utility.

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CABINET TO DECIDE NEXT MOVE ON SUNDAY

Israel may reassess 'wait and see' stance

BY DAVID LENNON IN TEL AVIV

THE FIRING of three Katyusha rockets into northern Israel yesterday may force the Israeli Government to reassess its earlier decision to wait and see before determining what action, if any, it should take in Lebanon, following the developments of last week.

The victories of the Moslem Shias in Beirut and the withdrawal of the U.S. marines are acknowledged as setbacks for Israel, but officials in Jerusalem said yesterday that it was still too early to assess the extent of the damage to its interests.

Because of this, the cabinet decided to postpone any decision until its regular cabinet meeting on Sunday. But the fact that rockets were fired into Israel yesterday, after one of the declared aims of the 1982 Israeli invasion was to prevent such attacks, may mean that the Government will have to decide on some immediate response.

Israeli forces in southern Lebanon had already been put on the alert before the shelling, according to military officials. Warnings had also been issued by the government to hostile forces not to move against Israeli troops in the south.

There are continuous consultations between Jerusalem and Washington over developments in Beirut, but, according to the military officials, the U.S. only "half-heartedly" asked Israel if it would intervene if the situation in the Lebanese capital deteriorated drastically.

Until yesterday's rocket attack, Jerusalem had been refusing all appeals to come to the help of President Amin Gemayel, because it has abandoned its dream of creating a new order in Lebanon. Israel is now concentrating on finding ways of cutting its losses both politically and in terms of casualties being suffered by its soldiers.

Israel's goal is to find a way of reducing its military presence in Lebanon, while at the same time ensuring that the south is not used again as a launching pad for terrorist attacks against northern Israel, such as that of yesterday.

The events of the past few days have considerably narrowed the options available. The defeats and defections suffered by the Lebanese army make remote the possibility that regular army units could move south to take over Israel's policing role.

Similarly, the success of the Shia's have reduced the possibility of developing a friendly Moslem militia force in the south which would act in Israel's interests in keeping out the Palestinian guerrillas.

Of course, the big problem over any withdrawal is who would take over the areas evacuated and how to guarantee that they are no hostile to Israel. So far, Jerusalem does not have an answer to this question, made more urgent by yesterday's attack. The Israelis are also still waiting to see what will happen over the May 17, 1983, agreement with the Lebanese Government over Israeli and Syrian troop withdrawal.

Syria has always opposed the agreement and long demands that it be abrogated. Even though it was, to a large extent, stillborn, and over ratified by President Gemayel, an abrogation of the treaty would be regarded as yet another failure of the disastrous war in Lebanon.

Because abrogation would require a decision by the Lebanese Parliament, something which might be problematic, Israel is hoping that perhaps Syria will be content with a declaration by President Gemayel that it has been frozen.

Officials here accept the likelihood that, if President Gemayel is to remain in power, he will have to accept Syrian dictates and, in effect, become a puppet of Damascus.

Though unwelcome, it is a less awful prospect for Jerusalem than the appointment or election of a really hostile Lebanese figure as president, something which could turn Lebanon into a confrontation state for the first time.

If this were to happen, Israel would be face to face with the realisation that in its foolhardy attempt to try to reorganise Lebanon by its military intrusion in 1982, it may have, in fact, created a more dangerous neighbour than it had before sacrificing 567 of its soldiers.



forces in Lebanon. The most realistic option appears to be a limited withdrawal of Israeli forces, to align south of the Awali River possibly to the Zahranzi River. This would reduce the area under Israeli occupation, and remove Israeli forces from Sidon, where they have suffered many casualties.

It would also drastically reduce the number of Moslems under Israeli occupation and thus, perhaps, make it easier for Israel to build up friendly militia forces among the Christian communities, which could help keep out the Palestinian guerrillas.

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S. Koreans offer to meet North over unity move

SOUTH KOREA yesterday offered to meet North Korean representatives for the first time in four years to give them its official response to the North's offer for reunification talks. Reuter reports from Seoul. The Government said two officials would travel to the border at Panmunjon today to deliver the message from Prime Minister Chin Lee-Chong to his newly appointed counterpart, Mr Kang Sung-San.

Burma's Supreme Court yesterday rejected an appeal against death sentences imposed on two North Korean army officers for the October bomb blast which killed 21 people, including four South Korean Cabinet Ministers. Reuter reports from Rangoon.

Chinese Premier Zhao Ziyang is confident there will be a satisfactory outcome to the Sino-British talks on the future of Hong Kong. Australian Prime Minister Bob Hawke said, reports Reuter from Peking. Mr Hawke is on a six-day visit to China, primarily to discuss trade matters.

Australia's seasonally adjusted unemployment rose to 9.5 per cent in January from 9.2 per cent in December and the same level in January a year ago. Reuter reports from Canberra. The Statistics Bureau said yesterday that preliminary figures put the number of jobless at 667,500 against a revised 648,200 in December.

India death sentence Mr Mawbool Butt, the Kashmir extremist leader whose release was demanded by the group who claimed responsibility for the murder of an Indian diplomat in Britain, will be executed in New Delhi jail on Saturday, Reuter reports. Mr Butt is sentenced to death for the murder of an Indian intelligence officer.

Iran-Iraq peace move Iran has agreed to send Foreign Minister Ali-Akbar Velayati to Japan for talks on ending the Iran-Iraq war, writes AP from Tokyo. Japanese Foreign Ministry officials said Iraq had also been asked to send its Foreign Minister.

Manila set to suffer further delay in IMF credit approval

BY EMILIA TAGAZA IN MANILA

THE PHILIPPINES' application for an SDR 615m (£451m) standby credit from the International Monetary Fund (IMF), in the works for more than five months now, faces another major delay and may not be approved until May.

The IMF, which last year, discovered an overstatement in the country's foreign exchange reserves, has again found inconsistencies in the central bank's money supply figure.

An IMF mission is currently reassessing the central bank's records and the review will form the basis of complete revision of conditions in the Letter of Intent submitted by the government last November.

With revised base figures, the Letter of Intent, which will govern the IMF credit, will set new targets for credit growth, public spending and the balance of payments deficit.

The delay further pushes the Philippines into a debt trap, since only an approval of the IMF facility can help the government properly negotiate a rescheduling of some \$103m (£7bn) in foreign debts and for the acquisition of about \$3bn in fresh funds from commercial and official sources.

The delays have exacerbated chronic shortage of foreign currency which is causing a virtual standstill in local industries which are heavily dependent on raw material imports.

Since last month, numerous companies have been retrenching and shutting down operations, throwing hundreds and thousands of Filipinos out of work.

The discovery of the inflated money supply came close on the heels of the foreign reserves controversy which led to the resignation of former central bank governor Jaime Laya and

Cardinal Jaime Sin yesterday accused President Ferdinand Marcos of using "candy and brass knuckles" to ensure his party would stay in power even if it lost its majority in the May parliamentary elections, AP reports from Manila.

The Roman Catholic leader, however, did not spare the opposition a tongue-lashing. He criticised them for being as "rigid and unbending" in their demand for Marcos to resign as the president is "inflexible" in his refusal to give them genuine political concessions.

The appointment of Mr Jose Fernandez, a private banker, to the post.

In spite of the central bank's programme for tightening liquidity there has been a remarkable increase in money supply, particularly in November and December last year when the government was supposed to have been finalising austerity measures with IMF.

The December money supply figures showed a 38.2 per cent increase over the same month last year. Scyp Gorres Velayo (SGV), the accounting firm hired to audit the central bank's books, attributed the money supply rise to the emergency loans

Lebanese Unifil force eyes Beirut peacekeeping vacuum

BY ROGER MATTHEWS, MIDDLE EAST EDITOR

IT IS not easy to overlook armed men in Lebanon, but there is an almost forgotten group of 5,310 soldiers whose role could become increasingly important during the coming months.

The group consists of 624 Fijians, 531 Finns, 926 French (to be joined soon by another 500), 741 Ghanaians, 732 Irish, 40 Italians, 164 Dutch, 849 Norwegians, 560 Senegalese and 143 Swedes — the UN Interim Force in Lebanon, or Unifil.

These soldiers took up their positions south of the Litani River in Southern Lebanon following the Israeli invasion of March 1978. That invasion, known as the Litani operation, was aimed at pushing Palestinian guerrillas out of artillery and rocket range of Northern Israel.

Unifil's mandate was to provide a buffer between the opposing forces, although it was unable to undertake its full anticipated role because Israel interposed the force of the late Major Sa'ad Haddad, a renegade Lebanese army officer, on a

narrow strip of land along its border. When Israel again invaded Lebanon in June, 1982, its armour and troops advanced straight through Unifil's positions. Apart from one or two bravely futile efforts by UN troops to renege with the Israeli army, Unifil did not put up any resistance and has remained for the past 20 months behind Israeli lines.

With Israel deeply concerned at the casualties it is suffering in Lebanon and the planned withdrawal of the troops of the non-UN multinational peacekeeping force in Beirut, diplomatic efforts are again focusing on the possible future deployment of a new or expanded UN presence in the area.

UN officials in New York are proud of the achievements of Unifil, despite bitter criticism of the force from Israel before the 1982 invasion. They now believe that Israel is better placed to appreciate Unifil's success in preventing Palestinian guerrilla infiltration, achieved with a minimum of force. Palestinian and Left-wing Moslem guerrillas were in the end reduced to using hang gliders and hot-air balloons to get past Unifil, officials in New York recalled last week.

The Unifil mandate comes up for renewal in April and there is a belief at UN headquarters

that it could soon again play an effective role. This is based on the understanding that Israel is anxious to withdraw from the town of Sidon and re-establish its southern defensive line on the Zahranzi rather than the Awali river. This could present an opportunity for part of Unifil to move northwards and revert to its original task.

There is far greater scepticism in New York, however, about the possibility of either a new mandate for Unifil, which would allow it to be deployed around Beirut, or for the creation of an entirely new force. A senior UN official said he believed it would be extremely difficult to persuade countries

to contribute to a Beirut force because of the experience of the U.S., French, Italian and British troops. It was a basic error in peacekeeping operations to provide heavy firepower for the troops involved, he said. "When they are heavily armed, they tend to become a target and to become caught up in any fighting. Once that has happened they are bound to be seen as partisan by one side or the other, and that is precisely what has happened in Beirut."

The most hopeful sign that the UN might have a role to play in the Beirut area came late last month from Mr Farouk al-Shara, the Syrian Minister of State for Foreign Affairs. He said during an interview in Damascus that Syria would not reject in advance the possible deployment of UN troops. "We might consider it, although of course it has not yet been proposed. We will not propose it ourselves, but we will not reject it. We are ready to study any proposal, provided the Lebanese agree," he said.

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WORLD TRADE NEWS

Hong Kong aims to sell and survive in quality markets

BY LARRY KLINGER, RECENTLY IN HONG KONG

FRANK LIN has gone up-market and is winning the rest of Hong Kong would like to do the same. His declaration that "quality is now the name of the game" is now repeated almost constantly throughout the territory.

Lin, 42, is diminutive and greying but bursting with energy. He started his family garment business in 1959 with a tiny factory producing cheap roll-neck sweaters and cardigans. Output in the early years averaged 3,000 pieces a month.

Today his Milo's group, located in modern 12-storey premises in the outlying Kwai Chung area, embraces not only the original knitwear business which now produces medium-to-high-range products, but also cotton garment and dye factories, one subsidiary to deal

with exports and another with mainland China, a yarn export-import company to supply other knitters, and a property company. Current output is 8,000 pieces per day.

Lin's success is due to his ability to satisfy increasingly sophisticated customers while coping with rising protectionism abroad and rising costs at home.

Two actions in the past fortnight show the seriousness of the protectionist problem.

Hong Kong currently is in dispute with France over shipments of quartz watches, and is unhappy with a U.S. move to restrain textile imports from the territory as well as Taiwan, South Korea and Macao.

Because almost 85 per cent of all Hong Kong's manufacturing is for export, rising trade figures indicate however that

the territory is holding its own. Last year overseas sales reached a record HK\$104bn (£9.3bn) up 25.7 per cent on the previous year.

While the strength of the U.S. economic recovery and the weakness of the Hong Kong dollar were obviously a help, officials and business leaders believe that, without the territory's continuing ability to improve the quality of its goods, growth would have been less than spectacular.

While traditional products like clothing and textiles still command more than a third of sales, their added-value continues to improve, they point out, and the territory is now moving increasingly into areas such as machinery manufacturing and high-tech electronics.

While unable to compete

directly on cost with the mass-produced "cheap" products in, say, South Korea or Taiwan, Hong Kong's clothing exports for the first three quarters of 1983 reached HK\$27.4bn, 17 per cent up on the period in the previous year. An even bigger increase is expected when detailed full-year figures are available.

Francis Tien, a leading manufacturer, recalls that it was predicted 10 years ago that his industry would be overtaken by South Korea and Taiwan. "We have never stopped moving forward quicker than any of them," he said. "We're progressive. We are in the world's top class."

The plastics industry, especially toys and dolls, has bright prospects. Hong Kong's superiority in technology and design and its ability to meet

quickly changing demand should continue to boost exports, according to a report by the Banque Nationale de Paris. Future growth would depend on a continued ability to further upgrade product quality, the report said.

To continue to expand up-market — to find, as a Hong Kong Trade Development Council put it, "our niche in quality terms where we can continue to sell and survive" — new investment and re-investment is needed. Until the arrangements about the territory's future after the British lease expires in 1997 are clear, there is a question mark over investment funds.

Private economists are worried at the lack of investment, but it is thought that continuing export growth,

especially in electronics and textiles, is offsetting political jitters. Increased industrial investment must be forthcoming if the territory can continue to respond to the expected world economic upturn.

David Yung, managing director of Elcap Electronics, is one who is planning to invest in the future. His progress is also a Hong Kong success story. Starting in 1963 in a suburb, his company produced fairly simple electronic components, mainly hi-fi loudspeakers destined for the UK. Capitalisation was HK\$50,000.

Elcap now has a five-storey ultra-modern factory in the New Territories, where it produces custom-designed wafers for the international computer community. In 20

years, turnover has been increased 20-fold. Elcap is now capitalised at HK\$16m.

Yung's strategy is to serve what he expects will be a big expansion in locally-produced computers, in addition to exporting custom-design products that the international majors are not interested in producing.

He believes he will not immediately have a local competitor: "An operation like mine is not easy to set up. Because of its complexity, it needs outworking, maybe three or four years."

Yung has secured a similar estate site next door, where he plans to expand. Given the current political uncertainty, will he go ahead? "Yes, certainly," he pauses. "At least I hope so."

Exports to U.S. up by 40% last year

By Our Hong Kong Correspondent

HONG KONG'S domestic exports to the U.S. leaped 40 per cent in 1983, consolidating the U.S. position as the territory's largest overseas market, and supporting a 26 per cent rise in Hong Kong's total domestic exports.

Hong Kong's total trade for 1983 was valued at HK\$336bn (£30bn) according to Government figures published yesterday—a rise of 24 per cent over 1982.

Domestic exports rose 26 per cent to \$10.4bn. Imports rose 23 per cent to HK\$17.6bn. Re-exports rose 27 per cent to HK\$55bn.

The trade figures confirm perceptions of 1983 as an outstanding year for Hong Kong's exports, following a recessionary 1982.

When Sir John Brembridge, Hong Kong's Financial Secretary, delivers his budget speech on February 29, he is expected to announce that Hong Kong met or surpassed the official forecast of a minimum 5.5 per cent real growth in its gross domestic product during 1983.

The U.S. took domestic exports worth HK\$43.8bn from Hong Kong in 1983. But the fastest-growing domestic export market for the year was China.

France making 'big effort' to liberalise import controls on some goods

BY ROBERT COTTRELL IN HONG KONG

FRANCE is making a "big effort" to liberalise the import controls which it imposes on some categories of Hong Kong goods, a French consular official said in Hong Kong yesterday.

Hong Kong watchmakers have been angered this week by a tightening of existing French quotas on imports of Hong Kong-made quartz watches.

France is counter-arguing that watches are only one of several categories of Hong

Kong goods which have been subjected to quota restrictions, and that most of those quotas have recently been abolished or eased.

Last July, the General Agreement on Trade and Tariffs council arbiters reported that France should scrap restrictions on seven categories of Hong Kong imports—quartz watches; umbrellas, radios, microscopes, boats, toys and some types of textiles.

France has limited direct imports of Hong Kong quartz watches since October 1981. On Monday, the European Commission decided to permit France to clamp down on Hong Kong quartz watches entering France from other EEC countries.

France estimates that 1.2m of the watches have flooded into the country already this year from other EEC countries, but many officials here regard

the figure as "improbably large."

The effect of the decision is that both direct and indirect imports of Hong Kong quartz watches into France will now be grouped together under a ceiling for 1984 of 8.4m pieces. French customs officers can enforce the ruling by examining a certificate of origin required to accompany each quartz watch shipment.

In volume terms, Hong Kong is the world's largest watch

exporter, while France was its 14th largest market in 1983. Taking in watches and clocks worth HK\$147m (£13.2m) in January-November, 5 per cent up on the comparable prior-year period.

Before quota restrictions in the year to October, 1981, France bought HK\$215m-worth of Hong Kong-made quartz watches. In the year to October, 1982, that figure fell to HK\$118m. The current French quota of 4.4m pieces from Hong

Kong is the same as that imposed in 1983.

The Hong Kong Watch Manufacturers' Association set up a special committee in 1982 to fight the French quotas. One of the early strategies was to encourage a boycott of French brandy in the territory.

The campaign was later modified under the slogan "Be a proper drinker," aimed at persuading drinkers to savour small measures of brandy, rather than drink it by the tumbler.

The anti-cognac campaign appears, however, to have had little effect: French brandy sales to the territory in 1983 equalled their 1982 level, according to the French Consulate.

France's overall level of textile and garment trade with Hong Kong is subject to bilateral agreements made within the Multi-fibre Arrangement. Quotas on umbrellas, radios and some toys have been increased.

South African coal finds way to Sweden

BY GERARD MCLÖSKET

SWEDEN is importing substantial volumes of South African coal although trade with the country is officially banned. Some of this coal is arriving in Sweden in vessels from Poland which has no formal trade links with South Africa and which considers Sweden as a prime market for its own coal.

According to the Swedish statistical bureau 2,097 tonnes of South African coal were imported in the first 10 months of 1983 out of a total of 2,183,377 tonnes in coal imports.

But inquiries in Poland, Sweden, the Netherlands and London indicate that the major Swedish cement and construction company, Cementa AB, imported two shipments of 3,282 tonnes and 3,520 tonnes of South African coal which arrived in Malmö at the end of March and the beginning of April last year.

The supplier of the coal, Shell Coal International, said that these were two of seven shipments it supplied to Sweden last year totalling 17,000 tonnes.

Two of the Shell shipments arrived in Polish ships. In Warsaw, an official of the Foreign Trade Ministry said that Poland neither had a foreign trade relationship with South Africa nor was any such link planned.

The shipping company Zegluga Polska Spolka Akcyjna of Szczecin, which owns one of the vessels involved, the Starachowice, expressed surprise about the shipment. "We do not break any Polish laws," said the official.

Poland has long considered Sweden its top steam coal market. Cementa AB said that its coal imports, totalling

200,000 tonnes a year are imported from Poland. The company expressed surprise that the Starachowice had sailed from Amsterdam, as shipments normally come from Poland.

The buyer of the coal on Cementa's behalf, a Malmö-based company, called AB Supply, admitted however that it bought the coal, knowing it to be South African, on the Dutch spot market because there was a severe shortage of Polish coal following the introduction of martial law in Poland.

Martial law was introduced in December 1981, and the initial disruptions to coal supply were thought to be over by spring last year, however, in 1983 Poland produced an impressive 192m tonnes of coal, having slipped below 170m tonnes in 1982.

AB Supply claimed that Cementa officials knew the coal was South African. It said that despite the boycott, the Swedish Government has tended to look the other way, because of the large sale of Swedish goods in South Africa.

But the Swedish Foreign Ministry confirmed that the boycott was far stronger than a "gentleman's agreement."

Shell points out that the shipments are not illegal, as the boycott is not yet legally enforceable. Shell says no exceptional regulations apply to Sweden.

Even a certificate of origin is not applied unless specifically requested by the client. It says its shipping documents clearly show the cargo as South African coal and are accompanied by an analysis certificate.

Spot the thief.



Talks on Brazil steel export curb next week

By Andrew Whitley in Rio de Janeiro

HIGH-LEVEL talks on curbing Brazilian steel exports to the U.S. are to begin in Washington next week, following an announcement by the State Department that the U.S. has agreed to negotiate a voluntary reduction pact with Brazil.

The negotiations are expected to cover flat steel products, which last year represented two-thirds of the estimated \$400m (£225m) worth of steel which Brazil sold to the U.S., its largest customer. The proposed curb will be limited to 1984 exports.

Brazil is anxious to reach a voluntary agreement rapidly, as the U.S. International Trade Commission is due to reach a final decision next month on preliminary findings that most Brazilian steel products are heavily subsidised. Import duties of up to 100 per cent are already in force.

Press reports yesterday said that Brazil was prepared to reduce its total tonnage sold to the U.S. from last year's 900,000 tonnes to nearer 400,000.

Sr. José Camilo Penna, Industry and Commerce Minister, welcomed the U.S. acceptance of Brazil's proposal to set quotas on its steel exports—in return for the dropping of anti-dumping suits and those surtaxes already applied—as "an important step towards the solution of the problem."

Giving a new twist to the usual Brazilian arguments towards unhappy foreign competitors concerned about its growth in steel exports, the Brazilian minister said his steel shipments to the U.S. should be considered as an intermediate product whose low costs helped to improve the productivity of U.S. industry.

Taiwan £13.6m boiler order goes to Dutch

By Walter Ellis in Amsterdam

TAIWAN HAS placed an order for two boilers, worth F1 60m (£13.6m) with the Dutch shipyard, De Schelde. The boilers will be used in an electricity generating station now under construction.

At the same time, Peking has let it be known that it would like KLM, the Dutch national airline, to begin scheduled flights between the Netherlands and China. Its one condition is that KLM abandons its existing service between Amsterdam and Taipei.

In December, the Government in The Hague refused to permit the Wilton-Fijenoord shipyard to accept a follow-up order from Taiwan for two submarines. Later, the Government announced that it had banned all arms exports to Taiwan.

As a result of these decisions, Peking agreed to restore full diplomatic relations with the Netherlands, broken off in 1981 following an earlier submarines order.

Taipei was angered by what happened and called off several trade missions which had been expected to come to the Netherlands this year. Nevertheless, as the latest boilers order shows, Taiwan is anxious not to ban trade with the Dutch, who, via KLM, currently provide their only scheduled air link with Europe.

Peking has meanwhile informed The Hague that Dutch companies may win contracts in a number of areas, including agriculture, horticulture, land-reclamation and dredging, telecommunications and the improving of harbours and industry.

The short answer is, you can't. Any of these ladies or gentlemen could be about to commit fraud. Quite possibly, with one of your credit cards. It's a problem we at Hoechst know all too well. After all, we're one of the leading suppliers of film to Britain's plastic card manufacturers. Credit cards are more convenient and flexible than cash. Hardly surprising, then, that credit card holders are rapidly on the increase. So too, unfortunately, is fraud. And every year it costs the country millions of pounds. Is there anything we can do about it?

One solution might be to laminate a photograph of the holder into the card. And, if a photograph, why not the signature as well? You'll be glad to hear we're working on it right now.

Cards with built-in memory. But there's an even more remarkable development on the horizon. Called, quite simply, the memory card, it could eventually make cash obsolete. Inside your bank card, a tiny microchip would note any transaction you made. Then automatically debit your bank account and bring it up to date.

Because only you'd know the card's code number, security would be absolute. Science fiction? It's happening in France at this moment and our French company is involved in the project. Of course, we can't take all the credit. But we're doing our best to make sure nobody steals yours.

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TECHNOLOGY

EDITED BY ALAN CANE

PIPELINE LEAKS COULD BE REDUCED

Valve saves mains water

BY ANNE CHARNOCK

WATER AUTHORITIES could make substantial cash savings with a new type of pressure reducing valve claimed to cut water leakage from arterial water mains by as much as a half.

The design aim of the new valve is to prevent high pressures building up at times of low demand—at night, for example—because these excessive pressures force water out of cracks in underground mains and may even cause major bursts.

This latest development in what are called variable pressure reducing valves (PRV) reverses recent design trends by abandoning electrical methods of operation and opting for a purely mechanical solution.

It is therefore less sophisticated, cheaper and easier to maintain. In addition, electrically operated systems—such as the microprocessor controlled valve developed by Wessex Water Authority—lack inherent fail-safes as they depend on external power supplies.

Around 20 per cent mains water is lost through cracks and bad joints in pipes. According to one water authority scientist "Pumping operations cost millions of pounds a year so only a small reduction in leakage will save hundreds of thousands."

Early in 1983, the Welsh Water Authority put the idea of a mechanical, variable valve to two UK manufacturers—J. Blakeborough and Sons of Brighouse, West Yorkshire, and Glenfield and Kennedy of Kilmarnock. Both firms have

now submitted valves for independent trials but they say confidence is so high that orders are being placed on the basis of manufacturers' tests. Pay-back for the new variable PRVs could be as little as three months when installed in hilly areas where pumping costs are particularly high.

Most water authorities at present use traditional valves which produce a constant pressure at the valve outlet—the set pressure being just sufficient so that at peak day-time demand, water will reach the end of the network. But with nightfall, flows decrease and pipe water pressures become extremely high at the bottom end of the network. In fact, the diurnal pressure difference can reach 30m of head.

In the new variable PRVs, outlet pressures are altered according to the amount of water consumed along the branch main. An orifice plate is positioned upstream of the valve. As water flows through a small hole in the plate, a pressure difference is created on either side of the orifice which is proportional to the flow rate. This pressure difference is transmitted to either side of a special diaphragm and its movement, in response to the pressure difference, operates a pressure reducing pilot valve. This in turn controls the main valve. As demand diminishes and the flow rate decreases at night, the valve closes in order to reduce pressure downstream.

A clever addition to Blakeborough's "Varducer" according to the firm's chief valves engineer, Ronnie Grandage, is a patented control unit which "fine-tunes" the valve to suit individual water mains. For example, in a pipe with high frictional losses because of serious internal scaling, higher pressures are needed to maintain a given flow than in a low-friction polyethylene pipe. The control system operates by transmitting a proportion of the pressure difference at the orifice to the diaphragm unit.

Grandage reckons their new valve will cut night-time leakage by 80 per cent. But he concedes that the concept of a mechanical variable PRV has been around for some time. Glenfield and Kennedy's brochures, says its managing director, Denis Richmond, offered combined pressure and flow control valves in the 1930s and again in the 1960s. But it seems the potential impact on leakage was not understood by industry.

Blakeborough's valve is due to undergo field trials in the West Wales division of WWA. Divisional mechanical and electrical engineer Tony Johnson, initiator of the authority's design suggestion says, "There's a lot of interest in these valves and competition is strong. It's now a free for all."

Severn Trent Water Authority has been working on a similar idea since late 1982, based on an Israeli-manufactured valve. According to Andrew Ashcroft, a technical services officer at STWA working on valve prototypes, "Waste has become a hot topic in the water industry and these cheap, variable PRVs could be the best solution."

One advantage is that the components can be produced

made in glass. Now, however, a team at Combined Optical Industries has succeeded in making the components in acrylic plastics for the Philips Laservision system, with cost savings of between 50 and 85 per cent compared with glass. The accuracy of the lenses is claimed to be as good as that of the glass components they replace—the focal length for example is held to within 1 per cent.

One advantage is that the components can be produced

with mounting features integrally moulded with the lens. Diffraction gratings are normally made by chemically etching the lines into the glass surface. Once again, in plastic the lines can be integrally moulded and do not suffer the defects sometimes resulting from etching.

The company's first grating is only 3 mm square, performs as well as the glass component and is 85 per cent cheaper to produce. More on 0733 75011.

Several other manufacturers are developing similar concepts, and are likely to follow Alfa Romeo into production.

JOHN GRIFFITHS

MOTORS

Fuel saving valve from Alfa Romeo

THE FIRST production car in Europe incorporating variable inlet valve timing is being launched today by Alfa Romeo.

The system is intended to overcome the compromise which has been needed in any petrol car engine between high power at, or near to, maximum engine speed, and the need for easy starting and low speed torque.

The former requires a high degree of overlap between inlet and exhaust valve operation; the latter ideally needs little or no overlap.

Alfa Romeo has got round the problem by fitting to the inlet valve camshaft of its twin overhead camshaft, two-throw engine, a hydraulic piston/helical gear arrangement. The mechanism allows a 16 degree variation in timing between the engine being started and used in start/low-speed modes and at higher speed operation.

"Normal" setting is without the overlap. But in the high speed mode, the hydraulic piston, operated by engine oil pressure, slides in a spline sleeve housed at the centre of the inlet camshaft driver sprocket. As the piston slides along the spline, it also runs along a helical gear, causing the camshaft to rotate relative to the sprocket.

The precise point at which the mechanism is triggered is controlled by a Motronic electronic fuel/engine management computer.

The computer itself monitors factors such as throttle angle, air mass flow and temperature in deciding when to trigger the mechanism, which is controlled by a solenoid valve.

Alfa Romeo, which is introducing the system first on a "Gold Cloverleaf" version of its Alfa Romeo, claims fuel economy improvements of between 4 per cent and 28 per cent, depending on usage. Power and torque outputs are similar to the conventional engine.

The system is expected to be extended to other twin overhead camshaft engines in the Alfa range.

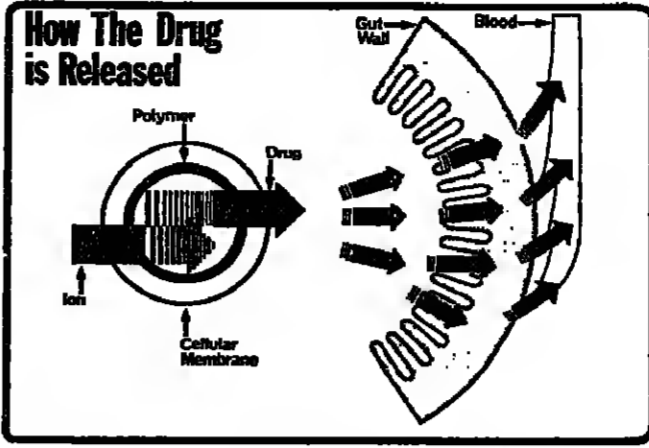
Several other manufacturers are developing similar concepts, and are likely to follow Alfa Romeo into production.

JOHN GRIFFITHS

PHARMACEUTICALS

Beads control drug delivery

BY DAVID FISHLOCK, SCIENCE EDITOR



MR ISAAC MCGRAW, an American farmer who is also corporate vice-president of Pennwalt Health Group, a U.S. pharmaceutical business, is putting his money on a new drug delivery system his scientists have invented and patented.

In Europe this week he has been trying to persuade half-a-dozen drug companies to licence his technology.

His Penkinetic system of controlled drug release combines two different mechanisms in releasing a drug into the bloodstream. One, already well established within his company, is the idea of locking a drug to an ion-exchange matrix, in the form of microscopic beads of the resin.

The second mechanism, under development since the late 1970s in Pennwalt's research laboratories in Rochester, New York, is to wrap the beads of resin and drug in a semi-permeable membrane of cellulose. This membrane can be deposited to give a very closely controlled release of the drug.

Drugs packaged in this way can be taken by mouth, either as capsules or as a liquid suspension. Nothing happens until it reaches the stomach and gastro-intestinal tract. So the nastiest taste is safely locked up until it is well beyond the taste buds.

The cellulose membrane is tailored to respond to the very constant concentrations of sodium and potassium ions found in the gut.

Thus it can be arranged to release a drug steadily over a 12-hour period, maintaining a uniform concentration of drug

in the bloodstream. The sketch shows how cellulose coating through the cellulose coating displace molecules of drug, which have been locked up inside as a resin.

The vehicle itself is unaffected by the gut reactions and causes no side-effects. Mr McGraw says. For the past year it has been used to carry a drug called dextromethorphan, used in over-the-counter cough medicines.

For Pennwalt, approval of the Food and Drug Administration of his Penkinetic system late in 1982 has already added \$10m in royalties to his sales. He has just got FDA approval for a second, a combination of decongestant and anti-histamine for treating allergies.

Mr McGraw believes that the Penkinetic drug delivery system must be a major factor in corporate plans to double the sales of the health division (\$217m last year) over the next three to four years. He is inviting European drug companies to place research contracts with Pennwalt to devise an appropriate package and secure FDA clearance.

Although he has no development in-house for another drug company at present, he hopes to win FDA approval for five Pennwalt preparations using the Penkinetic system this year, and a further three in 1985.

Mr McGraw claims his scientists have uncovered only two drawbacks to this drug delivery system. One is that the basic drug must carry an electrical charge. Most synthetic drugs do, but natural drugs do not. The other is dosage.

Terminals

Impact printer

IBM has launched its fastest impact line printer yet, the 4248. It can print either 3,600, 3,000 or 2,200 lines a minute according to requirements.

At the slowest speed it can print characters which can be recognised by optical reading devices.

According to IBM, the printer uses 46 per cent less power and produces 26 per cent less heat than its predecessor, the 3211 which is a 2,000 line a minute device. The 4248 will however, run all 3211 programs. It costs \$54,640 or £61,475 according to model.

IBM has also released new programs for its 3860/3 laser printer making it possible to merge graphics, text and print on the same page.

Materials

Polyester expands

THE USE of polyester film is expected to more than double between 1982 and 1995 because of its expanded application in frozen food packaging and retort pouches. Cellulose, however, of which 121m lbs was used in packaging in the U.S. in 1982 will be rejected in favour of newer materials created by the use of new technology.

These are two of the principal conclusions of a study from the U.S. based consultancy Predicasts which indicates substantial growth for the flexible packaging industry.

"Films will capture an increasing share of the total market," it says pointing out that linear low density polyethylene, cheaper than conventional low density polyethylene, is expected to make special progress.

Papers, specifically glassine, greasyproof, oiled and waxed will continue to lose ground to plastic films. By 1996, according to Predicasts, demand for paper as flexible packaging will be only 1.5bn lbs, slightly less than the demand two years ago.

The other is dosage.

The good news is FERRANTI Selling technology

Communication BT's digital link

THE VIDEOCONFERENCING system between Canada and Britain announced by British Telecom International earlier this week claims to be the first such service using digital transmission techniques.

BTI also intends to market low cost terminals which can be used in the office rather than forcing companies to send their employees to special studios. This will remove a major inconvenience of videoconferencing to date.

GEC-Jerrold, designed and made the system, developed by British Telecom in collaboration with six other European telecommunication authorities, which codes the pictures, text or image into a stream of digits. It also reduces the digital transmission capacity to 2m bits a second. This is equivalent to transmitting 30 telephone calls simultaneously. Without reducing—or compressing—the number of digits required the videoconferencing system would occupy 10 equivalent of 1,000 telephone calls.

This data compression is particularly important when using satellites since it occupies fewer channels with a resultant cost saving. The system is therefore a considerable improvement and can still produce reasonable quality colour images.

The terminals code and compress the picture and sound information before transmitting the resultant signal to the satellite earth station at Goonhilly Down. This beams the signal to Toronto via the Intelsat V satellite.

British Telecom International is planning to launch a similar system to the U.S. possibly later this year.

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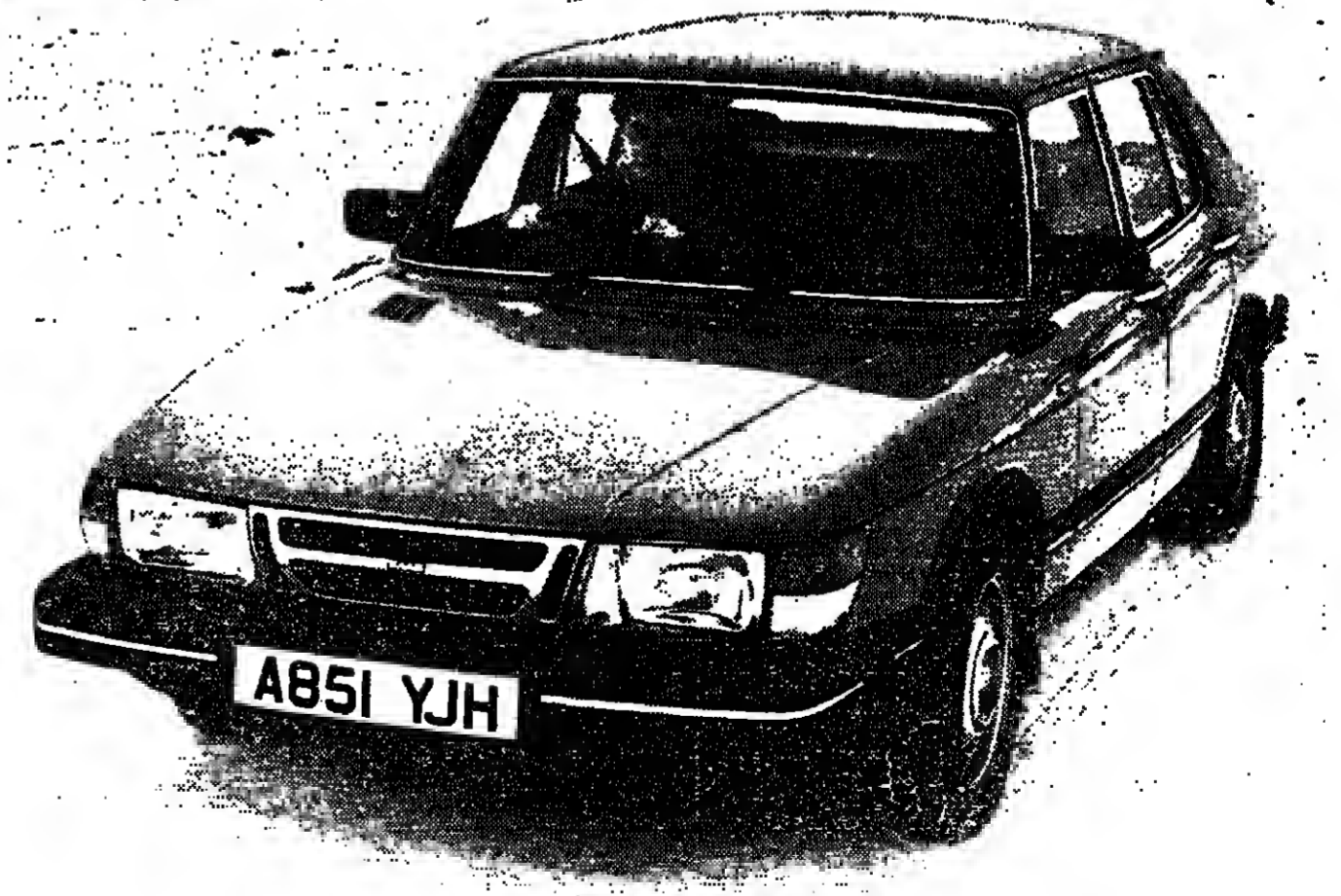
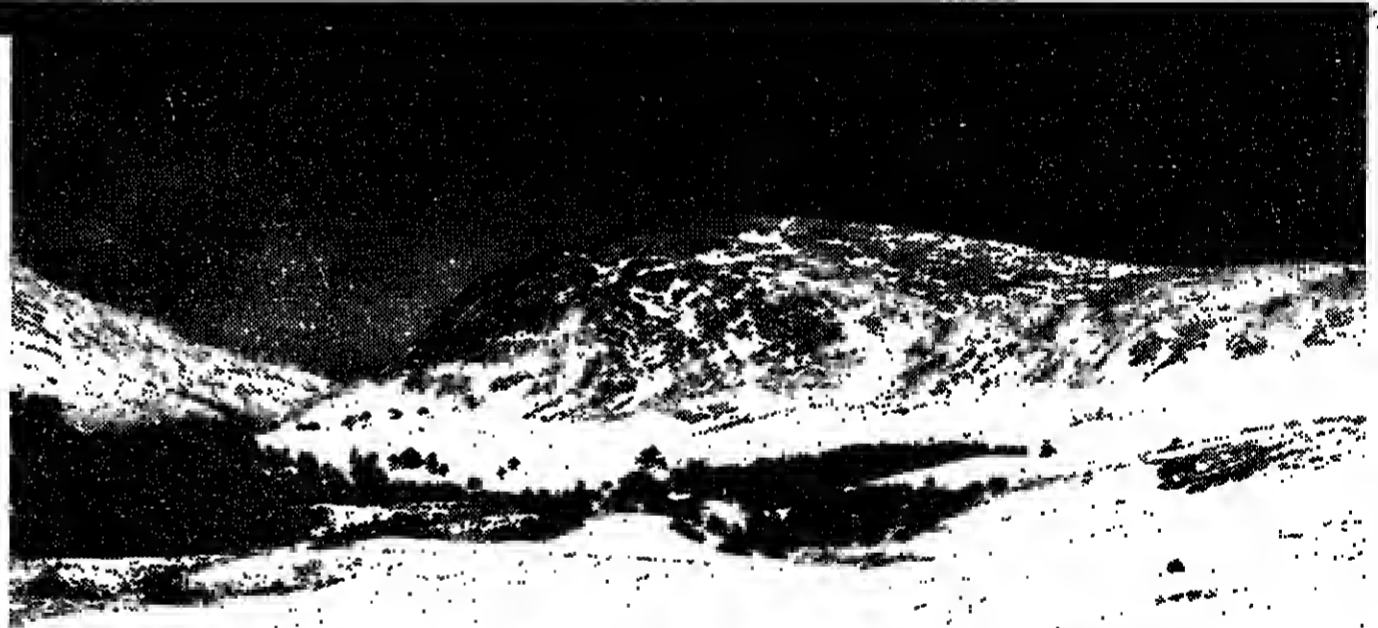
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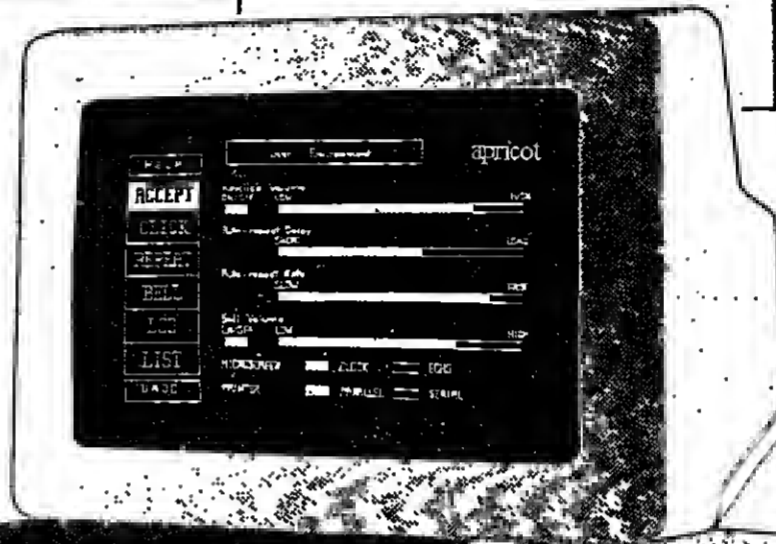
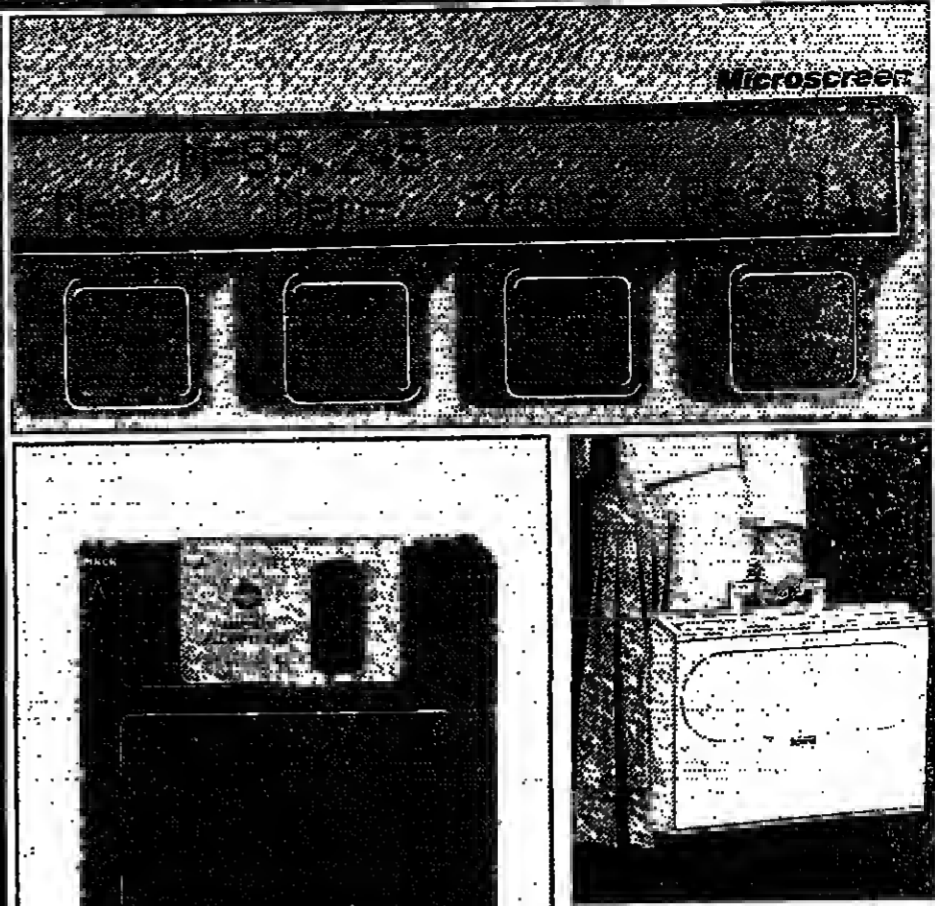


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Personal Computer World October 1983

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Practical Computing October 1983

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UK NEWS

Tax law principle ended by Lords

Ruling strikes at legitimacy of artificial transactions to avoid liability

THE LEGITIMACY of artificial schemes to avoid tax payment was dealt a death blow yesterday by a judgment of the House of Lords, Clive Wolman writes.

Implicitly overturning a principle of UK tax law over the last half-century, Lord Bridge of Harwich said the courts could examine the commercial substance of a series of transactions and look beneath their legal form when ruling on tax cases.

The decision of the five Law Lords yesterday to overrule the Court of Appeal in favour of the Inland Revenue was formulated in wide-ranging terms and raises doubts about the efficacy of a wide range of uncontroversial transactions designed to reduce tax.

They include making payments to a student child by means of a covenant, the "bed-and-breakfasting" of shares over an account period to reduce a future capital gains

tax bill, or the transfer of assets between subsidiaries in a group to avoid capital gains tax.

Mr Eddie Ray, a tax partner at accountants Spicer and Pegler, said yesterday: "If I have a choice of two ways of doing something, do I now have to choose the way that means I pay more tax?"

The first big judicial move against tax avoidance schemes was made by the House of Lords three years ago. The judges decided then

that they could disregard a circular series of transactions designed to achieve nothing except a reduction in the perpetrator's tax liability. That ruling undermined many of off-the-peg avoidance schemes sold by the Rossminster Group.

But in the case decided yesterday, the taxpayer, Mr George Dawson, a clothing manufacturer, was aiming to achieve a change of commercial substance, namely the sale of his shares in a company. But to

defer his liability to capital gains tax, he sold them through an Isle of Man company.

Lord Brightman, who delivered the main judgment, described the transactions as "a simple and honest scheme which merely seeks to defer payment of tax." But he ruled that even if a pre-ordained series of transactions achieved a legitimate commercial end, the courts would disregard any steps in the series inserted purely to avoid tax.

Scott Lithgow shipyard 'still open to offers'

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER, the Prime Minister, told the House of Commons yesterday that although conditional agreement had been reached for Trafalgar House, the UK property and shipping group, to take over the Scott Lithgow shipyard, it remained open for other companies to make offers.

The Prime Minister added, however, "Time is running out." She described privatisation of the Clyde shipyard, in south-west Scotland, as the only hope of saving jobs there.

The yard is part of the nationalised British Shipbuilders, which announced plans to close it after Britoil cancelled a £88m rig contract.



Graham Day, chairman of British Shipbuilders

Mrs Thatcher deplored union opposition to the proposed sale. Workers at the yard yesterday walked out in protest and union leaders said it was a "spontaneous gut reaction," which meant that privatisation would have to have union cooperation.

"There will be no deal based on compulsory redundancies and the massacre of jobs in this community," Mr Duncan McNeill, a local union official, said.

Trafalgar House said it could save 2,000 of the 4,000 jobs initially, but would eventually expect to employ a nucleus of about 1,200.

Mr Norman Lamont, Industry Minister, told the Commons that British Shipbuilders had been right to get on with quick negotiations in view of the seriousness of the position at Scott Lithgow. He told MPs that any agreement would require the approval of the Government and be assured questioners that all serious bids would be considered.

His and Mrs Thatcher's remarks reflected a desire in Whitehall not to rule out any options in the face of what some ministers - notably Mr George Younger, the Scottish Sec-

retary - regard as an attempt by Mr Graham Day, chairman of British Shipbuilders, and Trafalgar House to hurry them into a deal.

Officials expect that other groups, notably Bechtel, UK subsidiary of the U.S. engineering group, and the Anglo-French company Howard Doris, will make detailed offers next week.

It was emphasised by officials that the conditional deal with Trafalgar House still depended on agreement being reached with Britoil over the disputed rig contract, and that was far from settled.

Britoil said yesterday it was not satisfied with the proposals made by the three companies interested in taking over the yard.

● Fears for the future of the Cammell Laird shipyard on Merseyside rose yesterday when workers rejected terms for a 17-week productivity deal agreed by British Shipbuilders and national union officials.

Two other prominent yards have also rejected the deal - Vickers at Barrow-in-Furness, north-west England, and Yarrow on the Clyde. Editorial comment, Page 12

TENSE!
NERVOUS!
HEADACHE!
OVERWORKED!

It began with one small headache.

From January 1984, chemists have had to produce a typed or printed label to go on prescriptions.

Vestric, who are the largest pharmaceutical wholesalers in the UK, decided that the ICL Personal Computer provided a simple, cost-effective way of meeting this need.

Accordingly, Vestric have nearly completed installing ICL Personal Computers in 500 independent chemist shops around the country.

One less headache for 500 chemists. But now, those chemists are discovering they have a lot more than just a labelling machine on their hands.

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The ICL Personal Computer has been prescribed for five hundred chemists.

will be able to place their orders directly, and find out about the availability of drugs, prices, delivery dates, and so on.

And best of all from their point of view, 500 chemists are now finding they have a very capable personal business system at their disposal.

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Vestric's ICL central computer in Liverpool.

So those 500 chemists

We should be talking to each other.



Crucial union talks for TV channel

BY OUR LABOUR STAFF

THE FUTURE of the troubled breakfast television company, TV-am, hangs on a crucial meeting this morning of the main technicians' union.

The Association of Cinematograph, Television and Allied Technicians (ACTT) is expected narrowly to endorse a compromise cost-cutting formula worked out last night between their officials and the company. But despite guarded optimism on both sides the situation was still regarded as serious.

TV-am management has withdrawn the demand for up to 80 redundancies from ACTT and the National Union of Journalists. Last night's discussions centred on getting £1.5m savings required

through changes in working practices.

About £3m has now been pledged from shareholders to help the company over the next few weeks. Although costs have already been brought down from £31m a year to £14m, senior management is adamant that further savings of more than £1m can be made.

Fleet Holdings, publishers of the Daily and Sunday Express, came to the rescue of TV-am in November last year with a £2m investment giving it 20 per cent of the equity. It was part of a £4.5m refinancing of the channel which, at the time, was said to secure the future of the company.

Guidelines on spending

THE TREASURY is to publish a consultative paper setting out the implications of projected public expenditure levels arising from existing policy commitments.

Mr Nigel Lawson, Chancellor of the Exchequer, told the House of Commons yesterday that approval had finally been given to his proposal that the Government should provide the information needed for a well-informed public debate on expenditure issues.

● THE GOVERNMENT'S majority fell to four in the House of Lords last night in the first vote during the committee stage of the Telecommunications Bill, which paves the way for the privatisation of British Telecom.

More than 150 amendments have been tabled, many by a group of Conservative and independent peers concerned about the effect of the Bill on British manufacturers of telecommunications equipment.

● LONDON BRICK said its assets had been valued at £300m, or 215p

per share, in contrast to the contested bid worth £212m, or 150p per share, from Hanson Trust, the industrial holding company.

The revaluation forms almost the last line of the defence the brick supplier has been building against the bid which must close at the end of this month. It cannot be increased after next Tuesday.

Lex, Page 14

● WORKERS at the Austin Rover trim shop at Cowley, Oxford, rejected a call from union officials to end a week-old strike over job transfers which has halted output of the Rover and Acclaim cars.

● MR MICHAEL POSNER, recently chairman of the Social Science Research Council, is to become next economic director of the National Economic Development Office.

● THE SOCIAL Democratic Party/Liberal alliance has pushed the Tories into third place in the run-up to the Chesterfield by-election in which Mr Tony Benn is fighting the seat for Labour.

First out to Dusseldorf.

Most business mornings Air Canada has the first flight from Heathrow to Dusseldorf. All flights are by wide-bodied aircraft and you can enjoy Intercontinental service without crossing the Atlantic. First and Executive passengers have exclusive cabins, extra large seats and can enjoy a cooked breakfast in flight. It's the most comfortable way to Dusseldorf. For details see your travel agent or ring Air Canada on: 01-759 2636, 021-643 9807 or 041-332 1511.

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UK NEWS

Mineworkers seek backing of unions for coal import ban

BY OUR LABOUR STAFF

MINEWORKERS are to seek the support of transport unions in Britain in an attempt to enforce a total ban on coal imports which total 4m to 5m tonnes a year.

Any ban would be certain to breach employment legislation aimed at prohibiting secondary or supportive industrial action, and would run counter to the Trades Union Congress (TUC) policy that all action should be lawful.

National Union of Mineworkers (NUM) leaders said yesterday that they would be meeting other unions - the Transport and General Workers' and the rail and seamen's unions - all of which have already pledged support in principle to an imports ban.

The aim of a ban would be to put pressure on the National Coal Board (NCB) in its dispute with the NUM over a 5.2 per cent pay offer. Miners have been operating an overtime ban for 15 weeks in an effort to win a bigger offer.

Mr Arthur Scargill, NUM president, said yesterday that the ban was inflicting minimum damage on the union and maximum damage on the NCB. He described the losses as "quite staggering" and claimed a total loss of some 7m tonnes.

The Energy Department has acknowledged that the NCB is heading for a loss of about £200m this financial year and, if the overtime ban continues, it says losses might approach £300m.



Scargill: Production losses 'staggering'

Coal stocks have remained high throughout the overtime ban, but mineworkers have lost a substantial part of their earnings, since routine maintenance and safety work at collieries is normally done as overtime working.

Much of Britain's coal output has been stockpiled because it cannot compete with the price of foreign coal. When Mr Ian MacGregor took over at the NCB last year he set himself the task of cutting the price of coal to industry. Cheaper British coal would cut the cost of electricity, since power stations are the NCB's biggest customers.

Coal imports are already restricted. The Central Electricity Generating Board has estimated that if it were able to import coal for its Thames Estuary power stations the price would undercut the NCB by between 10 and 20 per cent.

STC to supply cable TV equipment

By Raymond Snoddy

STC is to enter the equipment market for cable television to challenge companies such as Plessey Scientific Atlanta and GEC Jeroid.

STC Telecommunications yesterday announced the formation of a joint marketing company with Texscan of the U.S.

The company will initially sell Texscan cable television systems in the UK. Later, if the market warrants it, the products will be manufactured under licence in the UK.

The aim is to try to sell Texscan equipment to the 11 companies chosen by the UK Government to develop interim cable franchises in Britain.

Mr John Cottrell, managing director of STC Telecommunications said yesterday: "This new enterprise gives us the entry we have been seeking into an important growth area of communications business, valued at £250m a year by 1991."

Texscan, which had net sales of more than \$54m last year, claims a 26 per cent share of the U.S. market in wideband distribution equipment.

STC is particularly interested in the Tracs system developed by Texscan. It is a microelectronic controller located outside the home which means that only "authorised" television signals are delivered to the screen.

Banks connect new system of payments

BY ALAN CAINE AND DAVID LASCELLES

CHAPS, the London retail banks' electronic payments service inaugurated yesterday, came through its first day of operations with flying colours.

Although most of the foreign banks in London are refusing to take part in the system because of disagreements over a "common interface" to the Chaps network, and quibbles over the cut-off time, all the main settlement banks went live without problems.

Some £32m, the sum of over 1,000 individual payments, were cleared without a hitch through Chaps (clearing house automated payments system). All the clearing banks - which own and operate the service - had settled their accounts through the Bank of England by 3.10pm, 10 minutes after the agreed cut-off time.

"Miracle of miracles, it works," said a spokesman for one of the clearing banks. "Champs works as well as popping." Citibank, a participant bank, said it had made several transactions without error.

Mr Eric Simmonds, Chaps project leader, said: "It has been a pretty good first day. Every settlement bank has taken part in the system. The problem of the standard inter-

face to link non-settlement banks to the system, and the question of the cut-off time, are still with us, but the system has performed well today."

Many merchant and foreign banks are boycotting it on the advice of their trade associations - one described it as "genuinely unusable by us except at great cost." There are also objections to the 3pm cut-off time.

Chaps could be used by up to 300 banks, but only 40 have agreed to take part. Many of these are the clearing banks and their offshoots. But Bank of America, Hambros, Hong Kong and Shanghai, and Swiss Bank Corporation are among other leading banks which have decided to participate.

Chaps is based on eight U.S.-built Tandem computers with the reputation for being "fail-safe." Trials have shown that the system can handle 8,000 transactions every 30 minutes. Any payment of £10,000 or more made through the clearing banks will involve it.

Chaps is also linked with Swift, the international communication network through which banks send payments instructions to each other.

U.S. 'barred from contracts'

BY HUGH O'SHAUGHNESSY

U.S. COMPANIES would be debarred getting contracts from the multi-billion dollar supplementary fund which the British Government is hoping to launch to assist the International Development Association (IDA), the soft loan arm of the World Bank.

Mr Timothy Raison, Overseas Development Minister, made this clear in evidence to the House of Commons Foreign Affairs Committee. He said Britain was continuing

its efforts to organise a supplementary fund of \$3bn to top up the funds of the IDA.

Last year the U.S. refused to agree to an increase of IDA funds by \$12bn and settled for an increase of \$9bn, although the higher figure had been accepted by a majority of donor countries.

Mr Raison said that Britain would continue to try to persuade the Reagan Administration to accept the \$12bn figure.

Notice of Redemption

Transocean Gulf Oil Company

8% Guaranteed Debentures Due 1986

(now Gulf Oil Corporation 8% Debentures Due 1986)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 1, 1971, under which the above designated Debentures are issued, \$1,493,000, aggregate principal amount of such Debentures of the following distinctive numbers has been selected for redemption on March 1, 1984 (herein sometimes referred to as the redemption date):

Table listing 51,000 Coupon Debentures with columns for distinctive numbers and amounts.

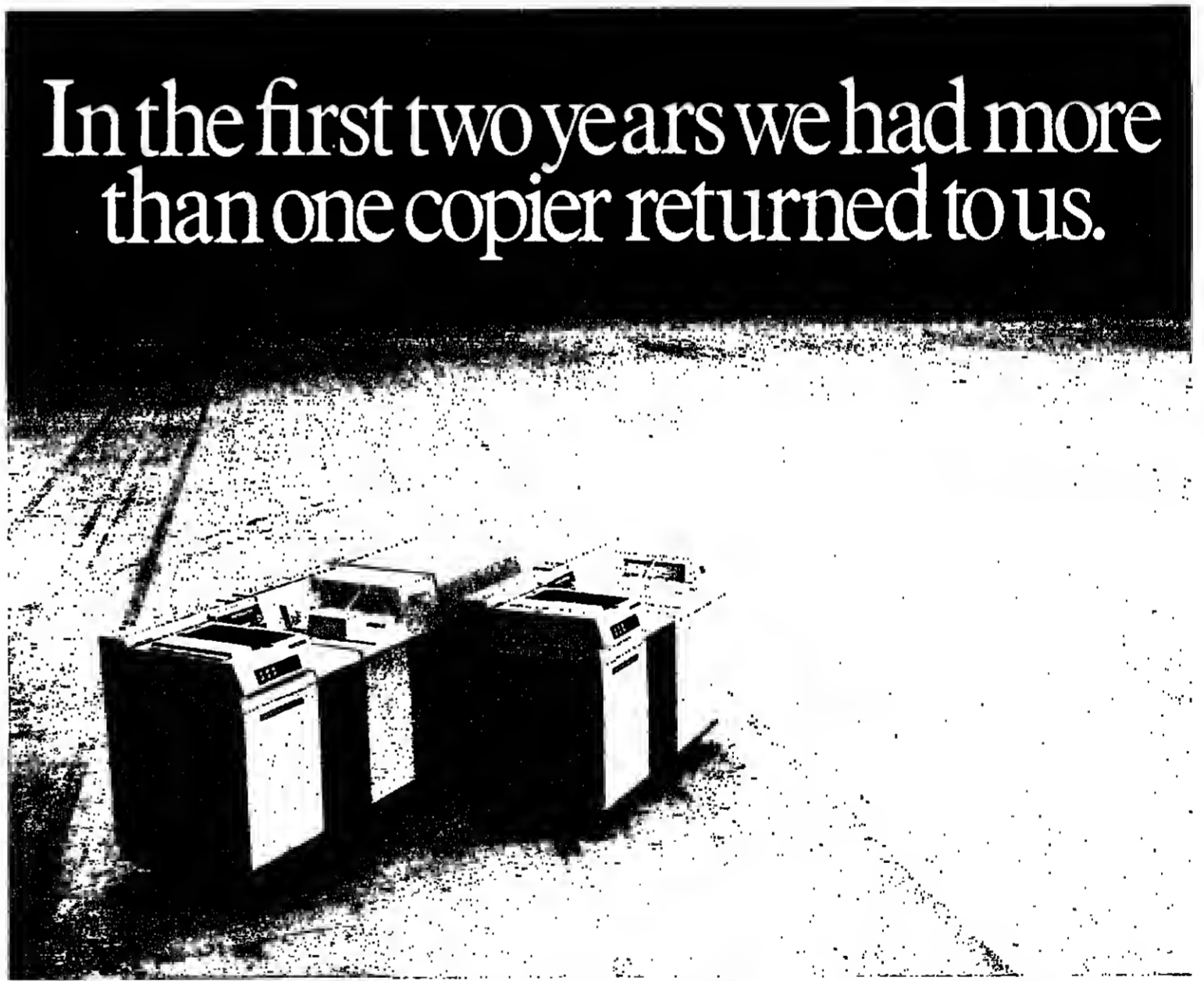
The Debentures specified above are to be redeemed for the Sinking Fund (s) at Citibank, N.A. (formerly First National City Bank), Trustee under the Indenture referred to above, No. 111 Wall Street, in the Borough of Manhattan, the City of New York, or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt/Main, London (Citibank House), Milan, Paris, and Citibank (Luxembourg) S.A. and Kredietbank S.A. Luxembourgise in Luxembourg. Payments at the offices referred to in (b) above will be made by a United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, on March 1, 1984, the date on which they shall become due and payable, at the redemption price of 100 percent of the principal amount thereof, together with accrued interest to the date fixed for redemption. On and after the redemption date, interest on the said Debentures will cease to accrue. Upon presentation and surrender of such Debentures with all unmaturing coupons, payment of principal will be made out of funds to be deposited with the Trustee.

The amount of any missing unmaturing coupons will be deducted from the sum due for payment. Coupons due March 1, 1984 should be presented for payment in the usual manner.

Gulf Oil Corporation

By: CITIBANK, N.A., as Trustee

January 30, 1984



In the first two years we had more than one copier returned to us.

Of the hundreds of clients who decided to rent Kodak copiers, two sent theirs back. One was a competitor who just wanted to take a look at it. The other was a company who were happy with the machine but were relocated.

Given that Kodak copier contracts do not exactly nail you to the floor, this suggests that so far we haven't accumulated many dissatisfied customers.

Which is, of course, gratifying. But it also proves that a thoroughly reliable machine backed by thoroughly reliable service is hard to beat.

To illustrate the point, we make it our policy to install a service organization before installing a single Kodak 'Ektaprint' Copier-Duplicator. So the back-up service is running smoothly before you even switch on the machine.

But don't take our word for it. If you'd like to talk to some of our customers who have,

so far, seen no reason to send back their machines, we'll be happy to put you in touch. The way things are going, we're happy to work for low returns.



Contact Helen Smith, Name, Position in Company, Company/Address, Tel. No., Kodak Limited, Copy Products Sales, Victoria Rd, Rushlip, Middlesex HA1 0J. Telephone: 01-422 3443. KODAK COPIERS. Kodak and Ektaprint are trade marks.

POLITICS TODAY

A comedy of errors

By Malcolm Rutherford

THIS WEEK has shown both the best and the worst of Sir Geoffrey Howe. On Wednesday afternoon, telling the House of Commons of the withdrawal of British forces from Lebanon, the Foreign Secretary was in undoubted command. Perhaps it was the gravity of the subject that impressed, but it was hard to believe that this was the same Sir Geoffrey who has made such a mess of the Cheltenham affair.

Students of politics ought to read an interview which appeared in the Daily Mail last Monday because it reveals the qualities and the limitations of the man.

The Cheltenham decision was taken by a small group

Job long enough to make the same impact on the Government's record and achievements as I did in the Treasury. Essentially both are jobs requiring sustained application over a period of time.

Nothing wrong with that. The Foreign Secretary is digging himself in for the long haul. Few people, after all, expected him to survive a full term as Chancellor of the Exchequer. But he did.

Then he went on to the decision to ban trade union membership at the Government communications headquarters at Cheltenham. It was discussed, as almost every other government decision is discussed by the group of ministers most directly involved. There are very few discussions of government decisions by the full Cabinet.

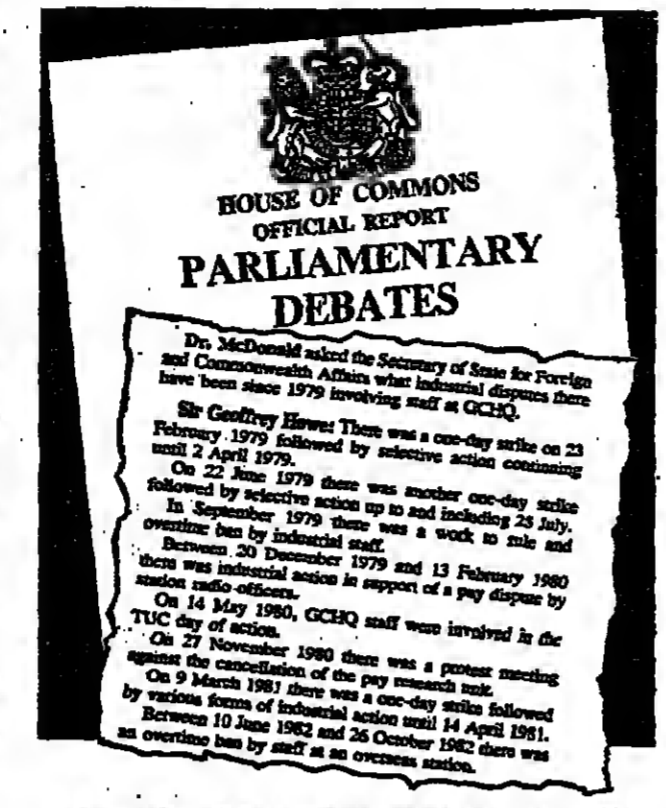
So, in terms of constitutional practice, Sir Geoffrey was perfectly correct. The Cheltenham decision was reached by a small group, almost like any other. The trouble is, however, that in presentational terms it was a disaster. There was no warning light built into the system to indicate problems ahead. Sir Geoffrey's response, like that of the Prime Minister, is to plod on regardless. Probably they will get away with it. Certainly it is hard to find anyone who thinks that if the Government has a super intelligence monitoring agency up to Rolls-Royce standards, it should be insecure. There may even be a bit of national pride involved. Most people until recently did not know that GCHQ Cheltenham existed or, if they did, they knew little about what it was doing. It turns out to be much more important than we are told. It is indeed the basis of the special relationship. No political party is going to make much ground out of trying to sabotage it.

Nevertheless, there has been considerable unease about the Government's approach. Mr Charles Irving, the Tory MP for Cheltenham, complained justifiably that he had not been advised of the decision in advance. He has around 7,000 constituents involved in the agency's work.

The trade unions could have complained even more. In fact, they have been rather clever. It was not they who led to the agency coming into public prominence. It was the convicted spy, Mr Geoffrey Prime, who seems to have been about 10 times more disastrous than (say) Kim Philby. If it had not been for him, Cheltenham would remain in obscurity. The unions insist that they want GCHQ to work effectively, and they have won some public sympathy.

The wider points, however, are about how decisions are made about how they are presented to Parliament and the public at large. On Cheltenham Sir Geoffrey simply made a surprise statement in the House of Commons. Some of his Cabinet colleagues learnt about it only afterwards, when they were asked questions by journalists.

It turned out that there was some evidence of the agency's operational efficiency being dis-



Sir Geoffrey Howe's written answer on January 30.

rupted by industrial action. This was produced by Sir Geoffrey in a written parliamentary answer a few days later. It gave a list of eight separate instances. But the trouble was that nobody seems to have told No 10 Downing Street that the answer was coming. The result was mutual recrimination. If the Foreign Office had the evidence, why hadn't it produced it when Sir Geoffrey made his original statement? In other words, the Foreign Secretary was behaving like a lawyer trying to master his brief, rather than like a good politician. And so the comedy of errors has gone on. Last week Sir Geoffrey appeared on television and appeared to be unaware of a Treasury written answer earlier in the day about the terms for compensation, redundancy and possible dismissal of the Cheltenham employees. It would be unfair to blame the Foreign Secretary too much. Looking at it from the outside,

Mr Bernard Ingham, the Prime Minister's press secretary, says that banana skins are to Mrs Thatcher's second administration what the 'expectation of a U-turn' was to her first. The Press had decided in 1979 that she would be obliged eventually to reverse her economic policy rather than Mr Edward Heath had done before her. In the end, as Mr John Biffen, the Leader of the House of Commons, has argued, it was more of an S-bend. But the official line is that the Press was wrong and that Mrs Thatcher ploughed on. Now that she has been re-elected and the economy has begun to look up, the argument goes, the Press has invented banana skins on which the Government is bound to slip. The theory is not absolutely implausible. Boredom at the idea of a large Tory majority for the next few years clearly does play a role in the way the Press decides to treat politics. It is a very real force. But the argument is still pretty meretricious. It is also defensive. The Press, after all, did not invent the Cheltenham affair, nor the Government's obvious embarrassment over the invasion of Grenada. Both incidents were sprung on a receptive audience. The real problem is of the Government's making. It has won a large majority and is unsure what to do with it. In some ways it is digging its own hole. For example, Mrs Thatcher has tended to strip the Government of a regular channel of independent, non-party advice. She has abolished the think-tank without putting anything in its place. Mr Ingham himself takes over more and more the role of government spokesman. No single person can possibly represent the Government on all issues. It needs a machine, but the machine is getting smaller. Anyone who doubts this should look up a book called Downing Street Diary by Sir Harold Evans, the Press secretary to Mr Harold Macmillan. It describes the bunker mentality which set in at No 10 Downing Street after Mr Macmillan had won an increased Tory majority in 1959. One excuse being put forward for the present approach is that it is necessary first to resolve the short-term problems before getting on to the longer

The 1959 bunker mentality in Downing Street

whether or when Sir Geoffrey is going to Moscow. The advantage of winning a second term of office with a secure majority is that you ought to be able to plan, to think ahead, and to learn from past mistakes. You ought to know by now about the deficiencies of the machinery of government which have plagued British politics for years past. Nearly all senior civil servants have acknowledged that the machinery around the Prime Minister's office does not work well enough. There is an opportunity now to do something about it, as well as to make a long-term policy on Europe, Ireland, East-West relations and government reform. One begins to think, however, that politicians are so used to living in the short term that they are incapable of adapting to the long. As Sir Douglas was pointed out in his Reith lectures, the average span of a minister in a particular department is around two years. There is therefore very little incentive to think about what happens in the next decade. This Government has an almost unique chance to be different. The evidence so far is that it has not fully realised it, despite Sir Geoffrey's pleading. Hadden and Stoughton, 1981.

Lombard The perils of law-breaking

By John Wyles in Brussels

MORE in sorrow than in anger, and with a discernible twinge of relish, the British Government has now completed its plans for becoming a deliberate law-breaker. To be forced to contemplate the prospect is rather an embarrassment for a Prime Minister so strong on law and order, but Mrs Thatcher feels she is being pushed into a corner. She will, therefore, withhold a proportion of Britain's payments to the EEC budget if the £457m owed by the Community does not reach the Treasury before the end of next month. This breach of Community regulations—which will almost certainly land Britain in the European Court—is being forced on the UK by the European Parliament. The Community's budget year is a calendar one and traditionally Britain's rebate is paid in the first quarter of the following year, before the Treasury closes its accounts, in this case for the 1983 financial year. The Parliament is threatening to block the rebate beyond the end of March if next month's EEC summit does not make enough progress towards settling the agricultural and budgetary issues currently paralysing the Community. This further delay is a breach of the Community's obligations to the UK. Mrs Thatcher will argue, as she withholds some of the £280m to £290m the UK transfers to Brussels every month. Under the latest government plan, some British payments will continue so as to enable the Community to go on funding the agricultural, social regional and other projects it sponsors in the UK. London will aim to recoup the £457m over an eight or nine month period in the absence of a formal Parliamentary decision. But it will bow in the direction of the legal niceties by putting the blocked funds into a special escrow account which the Treasury will open in the Community's name. The British action will not make the Community's already parlous budgetary situation worse. The £457m will, after all, remain in the EEC budget, and the UK will not have with-

held an equivalent amount until several months have passed. Withholding will, however, ensure that the Community's budgetary armageddon is not delayed. Politically, this is one good reason for unilaterally reducing payments to the EEC. A budgetary crisis, coupled with her power to veto an increase in the EEC's budget revenues, is the trump card which Mrs Thatcher is certain will deliver the long sought after permanent reduction in Britain's budget payments. There are two important weaknesses in the case for withholding. One derives from the very unsatisfactory arrangements between the Community institutions. The British claim that non-payment of the rebate by the end of March means that the Community is breaching its obligations to the UK. The obligation, however, was entered into by the Council of Ministers but never endorsed by the Parliament. The Assembly may be a nuisance, but it is just as much part of the Community. It did not undertake any obligation to the Community, although it does share budgetary powers with the Council of Ministers. Arguably, the obligation is only confirmed when the Parliament finally authorises the payment. A second cause for anxiety is the impact of withholding on public opinion in the rest of the Community. Britain is quite wrongly represented in much of the continental press as caring only about its budget money, anxious to put the CAP to the sword and caring little for the Community's future development. If Britain sits on some of its budget payments, in defiance of its legal obligations, it will serve only to confirm a very unfortunate image. Mrs Thatcher may also be narrowing the room for manoeuvre of other governments on the budget problem. There is a discernible demand in many countries for someone to "get tough" with Mrs Thatcher which will only be strengthened if she is seen to be weakening the Community in the midst of its most serious political and financial crisis.

Letters to the Editor

Threat to BL in the privatisation of Jaguar

From the General Secretary, Technical Administration and Supervisory Section, AUEW Sir—Leaving aside, as he does, the issue of privatising a company resuscitated from bankruptcy by the taxpayer, it is good to see your correspondent Kenneth Gooding's concern (February 9) about the hiving-off of newly successful Jaguar from newly successful BL. Eight long years ago the members of my union, TASS, published a remarkably far-sighted policy statement, The British Motor Vehicle Industry, in London and its effect on the imaginative Labour Government White Paper (Comm 6377) of January 1976. TASS then said: "No company with sales of less than 1m cars a year will survive. It is to say the least of 200,000 a model per year may produce the

necessary economies of scale in production terms, a far higher output is essential in marketing success. Inadequate scale, in all its varieties, and given the essential spare-parts service—if less than 1m (eg, over five years) are produced. As you point out, BMW and Mercedes both are poised to make 500,000 cars a year. My members at Jaguar have produced a brilliant car in the XJ6. It is selling, but with a 1984 schedule of 30,000 threatens neither BMW nor Mercedes. Inadequate scale, even more inadequate dealer networks, and inadequate human and financial resources are all too apparent traps towards the next crisis. The British public have "invested" £2bn in BL, £100m of it in Jaguar. We have done so in recognition of the need

for a British car industry and the employment, the engineering infrastructure, and the billions of payments dependent upon it. Despite warnings by successive governments and their BL boards, the money has been spent and the commitment remains. The long-term technical and marketing trends are clear for anyone who wants to see them. Hiving off Jaguar will set a minnow loose in the oceans—the Atlantic today, the Pacific tomorrow. A Continental politician said to me last week, "Italy looks after Fiat, Germany looks after Volkswagen, France looks after Renault, Britain looks after Nissan." Surely we should look after BL. Ke Gill, Onslow Hill, Little Green, Richmond, Surrey.

Subsidies to exporters

From Mr D. N. Andrews. Sir—Further to Mr Dingle's letter on Export Subsidy (February 7) may I add two points. The impression is given that UK exporters are in receipt of Government "hand-outs" to subsidise their prices. The fact is that some 90 per cent of the annual subsidy does not affect the price at all, being in the form of interest subsidy paid to the UK banks providing the finance, to enable exporters to match their competitors' interest rates. Consequently an exporter could be fully competitive on cash terms and yet still lose his export markets, if the interest rate subsidy is withdrawn, because HMG believes subsidies distort industrial development and support "lame ducks". A further misconception is that exporters are apparently thought not to have a domestic market. Indeed they do, but an account seems to be taken of the impact of unemployment and of the vacuum created (quickly to be filled by imports) by the demise of these "subsidised" exporters. Other projects are also being completed successfully and these demonstrate that when clients, unions and contractors come together in confidence and co-operation, there is a significant impact on the industry. John Morris Jones, Walnut House, 296 Regent Street, W1.

TV-am's value to advertisers

From the Chief Executive, TV-am Sir—In your article on TV-am in the Financial Times of Tuesday January 31, you quoted the managing director of Davidson Pearce — Britain's 14th largest advertising agency — as saying "If they (TV-am) could deliver an average of 500,000 to 600,000 households through the programme they would be a very interesting medium." He went on to say that he thought TV-am's average household audience was actually below 200,000. Could I point out that in the week ending January 22, we actually delivered in the hours between 7.30 am and 9.25 am—when 90 per cent of our advertising is transmitted—an average household audience of 510,000. This is not a particularly surprising figure as the average figure for the previous month was 470,000. Now we are a "very interesting medium" we sincerely hope Davidson Pearce and their colleagues in the advertising world will take note and utilise the selling opportunities we offer on TV-am. Breakfast Television Centre, Haulway Crescent, NW1.

Gut feeling about £/\$ exchange rate

From Mr C. Target and Miss L. Evin. Sir—Investors are right to be nervous about their dollar holdings. Research undertaken on both sides of the Atlantic has led us to conclude that the dollar is over-valued by about 25 per cent against sterling. We have developed a new implied exchange rate based on the prices in London and New York of a well-known hamburger chain (see table). Prices exclude New York sales tax at 5 per cent and United Kingdom Value Added Tax at 15 per cent. This is a "take-out" rate. Other conclusions compatible with our model are: ● Americans value hamburgers more highly than we do.

cedures through which problems can be jointly solved. These structures, including that of the Project Joint Council, provide the authority for the working arrangements which your survey identifies. Other projects are also being completed successfully and these demonstrate that when clients, unions and contractors come together in confidence and co-operation, there is a significant impact on the industry. John Morris Jones, Walnut House, 296 Regent Street, W1.

● Alternatively, we share the same opinion of hamburgers in terms of labour hours worked: it's just that the Americans are better paid. ● There is an opportunity for the international arbitrage of hamburgers, purchasing in London and selling in New York with a profit of 70 cents a meal, before freight costs. ● Alternatively, the international hamburger market is not efficient—the Common Agricultural Policy, again? ● Either McDonald's outlets in New York are particularly profitable, or their UK venture is proving sticky—ketchup all over the shop. ● The Purchasing Power Parity theory of exchange rates is just that. Charles Target (in London), pp Lael Braithard (in New York) 9 St Mark's Place, W11.

Table with 3 columns: S Price in New York, £ Price in London, Implied Exchange Rate. Rows include Quarter pounder, Thick Shake, Hot Apple Pie, and Basket.

Efficiency in engineering

From the Chairman, National Joint Council for the Engineering Construction Industry Sir—Your excellent survey on the Drax Power Station

Advertisement for Scania trucks. Features the headline 'One of the most important things to consider when buying a truck.' and 'Selling it.' Includes an image of a Scania truck and text describing its benefits and availability.

INTL. COMPANIES & FINANCE

New Issue This announcement appears as a matter of record only February 1984

SEK

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11 1/2% Notes 1989
of which U.S. \$100,000,000 is being issued as an initial tranche

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COMMERZBANK DAIWA EUROPE
KREDITBANK INTERNATIONAL GROUP LEHMAN BROTHERS KUHN LOEB
MERRILL LYNCH CAPITAL MARKETS MORGAN STANLEY INTERNATIONAL
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Baring Brothers & Co. Limited Berliner Handel- und Finanzbank C.I.B.C. Limited
Chase Manhattan Capital Markets Group Chase Manhattan Limited Citicorp Capital Markets Group County Bank Limited
Credito Commercial de France Crédit Lyonnais Dresdner Bank Aktiengesellschaft
European Banking Company Limited First Chicago Limited Fuji International Finance Limited
Gotohokoku Hambros Bank Limited Handelsbank N.V. (Overseas) Ltd
IBI International Limited Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Kleinwort, Benson Limited Kuwait Investment Company (S.A.K.)
Lazard Brothers & Co. Limited LTCB International Limited Manufacturers Hanover Limited
Nouvel Montagu & Co. Limited Morgan Grenfell & Co. Limited Morgan Guaranty Limited
Nomura International Limited The Nikko Securities Co. (Europe) Ltd Orion Royal Bank Limited
PKBank International (Luxembourg) S.A. Scandinavian Bank Limited
J. Henry Schroder Wagg & Co. Limited Societas Scandinavica Exportkredit (Luxembourg) S.A.
Smith Barney Harris Upham & Co. Limited Société Générale Societas Scandinavica Exportkredit S.A.
Standard Chartered Merchant Bank Limited Standard Chartered Bank (Europe) Limited Svenska Handelsbanken S.A.
Westdeutsche Landesbank Wood Gundy Limited Yamachi International (Europe) Limited
Girozentrale

SHB

HK Telephone tells investors to keep shares

HONG KONG — Hong Kong Telephone has advised shareholders to retain their holdings rather than accepting the general offer for its shares from Cable and Wireless of the UK.

Bell Resources has 2.3% holding in BHP

BELL RESOURCES, the flourishing investment offshoot of Mr Robert Holmes à Court's Bell Group, has extended its holding in Broken Hill Proprietary (BHP), Australia's largest company, to 5m shares and options—equivalent to approximately 2.3 per cent of BHP's issued shares.

North American quarterly results

Table with columns for company name, 1983, and 1982. Rows include AMERICAN GENERAL, CENTEX, and UNITED TELECOMMUNICATIONS.

NZ interest rates forced down

AFTER A week of heavy pressure and threats from Sir Robert Muldoon, New Zealand's Prime Minister, the country's finance houses and trading banks have agreed to lower their interest rates on deposits to 11 per cent.

India rejects Alcan merger

Montreal — Alcan Aluminium said the Government of India has decided not to grant approval of the proposed merger of Indian Aluminium, 50.5 per cent owned by Alcan Aluminium, and Hindalco, a diversified Indian company engaged in the automotive and agricultural equipment sectors.

This advertisement complies with the requirements of the Council of The Stock Exchange.

N

U.S. \$100,000,000

Neste Oy

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The Notes, issued at 100 per cent in denominations of U.S.\$10,000, have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of the temporary Global Note. Interest is payable semi-annually in August and February, the first payment being made in August 1984. Full particulars of the Notes and the Issuer are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 24th February, 1984 from:

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN. Morgan Guaranty Ltd, 30 Throgmorton Street, London EC2N 2NT.

10th February, 1984

NOTICE TO HOLDERS OF NISSHO Iwai CORPORATION (Nishio Iwai Kabushiki Kaisha) U.S. \$40,000,000 8 PER CENT CONVERTIBLE BONDS 1986

Pursuant to Clause 7(B) and (C) of the Trust Deed dated 10th October, 1984 under which the above-mentioned Bonds were issued, notice is hereby given that, as a result of a free distribution of shares of common stock of the Company to shareholders of record as of 1st March, 1984, Japan Time, at the rate of 10 new shares for each share held, the conversion price of the Bonds will be adjusted from Yen 384 per share of common stock to Yen 311.10 per share of common stock taking into consideration its previous public offering resulting in an adjustment of less than one Yen, effective as from 1st April, 1984, Japan Time.

NISSHO Iwai CORPORATION By: The Bank of Tokyo Trust Company as Trustee Dated: 10th February, 1984

EDF

U.S. \$300,000,000
Électricité de France
Floating Rate Notes due 1995
and Warrants to Purchase U.S. \$150,000,000
10 3/4% Bonds due 1993

The Notes and Bonds will be unconditionally guaranteed by The Republic of France for the six months from 10th February 1984 to 10th August 1984 the notes will carry an interest rate of 10 3/4% per annum. The interest payable on the relevant interest payment date, 10th August 1984, against Coupon No. 2 will be U.S. \$521.35 per U.S. \$10,000 note.

Agent Bank: Morgan Guaranty Trust Company of New York

SEK

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Floating Rate Notes due 1987 and Warrants to purchase U.S. \$112,500,000
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In accordance with the provisions of the Notes, for the period 10th February, 1984 to 10th August, 1984 the Notes will carry an interest rate of 10 1/2 per cent per annum.

The amount of interest payable on the relevant interest payment date, 10th August, 1984, will be U.S. \$508.72 per U.S. \$10,000 and U.S. \$50.87 per U.S. \$1,000.

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THE PROPERTY MARKET BY MICHAEL CASSELL

Australian revival underway

WITH THE Australian property market apparently set for a strong recovery, foreign investors and developers are about to be offered not only the chance to participate in one of the country's most ambitious development schemes but also the prospect of a friendly welcome from the dreaded Foreign Investment Review Board.

While the longer-term potential for the Australian economy makes it a potentially attractive market for property men from overseas, the prospect of a fight with the FIRB invariably stifles their enthusiasm.

As watchdog for Australian policy on domestic investment by foreigners, the FIRB advises the government on whether proposed investment will bring economic benefits to Australia or whether it will simply fatten up foreign speculators.

There are some daunting guidelines. Every real estate investment over A\$350,000 is subject to approval, equity participation must involve a minimum 50 per cent Australian interest and there must be proven net economic benefits to the economy.

property-owning subsidiaries. Bob Salisbury, chief executive of Baillieu Real Estate—the Australian agents who have Knight Frank & Rutley for international partners—admits the FIRB represents a barrier for interested foreign investors. But he says it is not impossible to climb and believes it is well worth the effort, given Australia's growing importance in the Pacific basin and the potential for profitable investment.

His view is shared by Bill Kerr, partner in charge of Richard Ellis in Australia, who was also in London this week. Kerr it is who is seeking investors and developers keen to play a role in the A\$200m-300m development of Melbourne Central, an office, retail and hotel scheme planned for a site in the heart of the city.

"Many outsiders think that investment in Australia is now virtually impossible because of FIRB rules. There are, in fact, no rules and the guidelines set down are open for negotiation in every case. The Board has repeatedly proved its flexibility and, providing investors appreciate Australia's desire to ensure their activities are of benefit to Australians, approval can be forthcoming," Kerr emphasises.

Given his search in Asia, the UK and the United States for partners to join the Victoria government in developing the Melbourne site, Kerr obviously believes approval will be forthcoming in this particular case. The scheme, together with the prospect of foreign participation, is fully endorsed by John

Cain, Victoria's premier. The Melbourne Central site has taken seven years to assemble and there is planning consent for a scheme involving up to 250,000 sq ft of offices and an hotel. Kerr says 250,000 sq ft of offices is feasible.

It seems that any deal which will see development begin will be considered, including outright sale of the site, a leasing arrangement, a joint venture or a consortium approach. Interests must be registered by March 26.

But if the prospect is so attractive, why the need to search overseas for money and development expertise? "The development is of such importance that we want it to be the best and that means spreading the net as wide as we can. For those wanting to establish or expand their Australian property interests, there will be no better opportunity."

As for the remainder of the Australian market, there are distinct signs that after two flat years, demand and rents are rising while yields are quickly coming down.

Institutional investors, recently net sellers of property, are back in the market and having to compete with the rash of property trusts which are being formed at a spectacular rate—30 last year alone.

Eagle Star plans major City scheme

EAGLE STAR Properties is planning to demolish a 20-year old City of London office building on the northern end of Southwark Bridge and develop 138,500 sq ft of new office accommodation.

Eagle Star holds a lease on Malvern House, Upper Thames Street, now largely empty and which incorporates a car showroom at ground floor level. The City of London is the freeholder and talks between the two sides, prior to submission of a planning application, are being held. Eagle Star is believed to want a new, 125-year lease.

Canadian Dutch Properties has finally let Dorset House, the 89,500 sq ft office building close to the southern end of Blackfriars Bridge. Customers Extra will be paying about £300,000 a year rent (around £10 a sq ft) for the offices, on the market since the summer of 1982. A deal at about £12.50 a sq ft was close a year ago and, more recently, the asking price was about £11 a sq ft. Debenham Tewson & Chinnocks and Jones Lang Wootton acted for the developer.

British Estate has paid Legal and General's Life Fund £8.5m for the freehold of Argent House, the 87,000 sq ft office building in Finsbury Square EC2. The property has been vacant since August 1982, when Iranian Oil Services was wound up. Richard Ellis and Weatherall Green and Smith acted for L and G and Wright Oliphant and Tribe represented British Estate.

Space surplus still persists

OVERSUPPLY of space remains the recurrent theme in the West German office property market, though hopes are growing that the worst is now over.

In cities like Frankfurt, for example, the first oil crisis left 600,000 sq m of empty office space behind it and, during the intervening 10-year period as a whole, there has been no rental growth.

Nearly a year ago, local agents Zadelhoff were talking about the serious oversupply in Munich; by December they were predicting the same problems for Düsseldorf by 1986. This week, Chris Bull-Diamond, who heads Frankfurt operations for Weatherall Green and Smith, predicted that 40,000 sq metres would be available for letting in the city by the end of next year.

But there are also some parallels with the recent more encouraging experience in the UK. The West German office market generally has picked up with the announcement of a number of larger lettings since the autumn of last year, the bulk of present and potential supply is in peripheral locations and as Bull-Diamond puts it "the risk of massive oversupply has receded."

Weatherall's 1984 German property market report concentrates on the investment market. Over the past 12 months, it says, institutions have been moving out of the equivalent of mills, as interest rates have receded, and into equities and property. In Frankfurt, Bull-Diamond calculated what this trend has done to property values.

There were three elements in the equation, he said, the first being the January 1983 reduction from 7 per cent to 2 per cent in land transfer tax on commercial property transactions.

By the end of the year the full advantage of this reduction was remaining with the vendor, and property values could be said to have increased by the full 5 per cent without any yield disadvantage to the incoming purchaser.

Next came a 1 point downward movement in yields—currently calculated by Weatheralls at 5 to 6 per cent for prime central area offices and 4 to 5 per cent for similar retail locations—taking overall capital appreciation up to 10 per cent.

On top of that Bull-Diamond reckons that there were three percentage points of indexed rental growth. "So, crudely," he says, "you get total capital appreciation of 13 per cent."

There have been ways of doing better than this, some of them involving foreign investors. Legal & General bought Deutschemark advantageously when it took over a portfolio of one small, and two medium sized properties from Dutch property group Wereldheide in the autumn of 1982.

prime rents are only a third of City of London levels and total occupation costs just a quarter, with minimal rates to pay. "UK instinct says that prime should perform," says Bull-Diamond, "but in Germany, it has not done so."

Relatively uninspiring buildings like Nideerrad and Eschhorn can do better than the glass palaces in the centre. "The Deutsche Bank's new twin tower headquarters in the centre of Frankfurt is a thing of beauty, reflecting local planning encouragement to build high rather than wide. But presumably the owner-occupier can afford to ignore professional reservations about its prospects as a vacant occupancy investment."

Weatheralls are not predicting any further general movement in investment values this year. Bull-Diamond thinks that the life funds will be circumscribed by the Bundesanstalt, the federal supervisory body which oversees institutional investment and sees to it that two-thirds of the 15 per cent of life funds typically come into arreary end up in residential investment.

WILLIAM COCHRANE
The British Insurance Brokers Association has taken the whole of 10-16 Bevis Marks, EC3, the 11,260 sq ft office building developed by Haselemere Estates in conjunction with the City Corporation. Richard Ellis acted for BIBA.

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PROPERTY IN WALES

FINANCIAL TIMES REPORT BY ROBIN REEVES

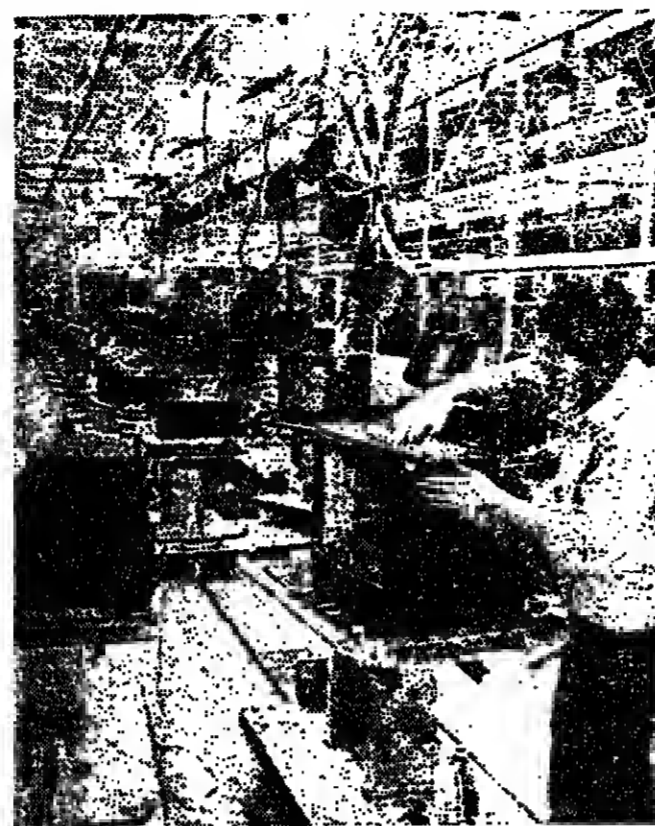
Development of the market remains largely underpinned by initiatives from public institutions of various kinds

Public bodies foster private ventures

NOT MANY years ago, news that the Government was planning to reduce the amount spent on regional development grants by half, with particular emphasis on the aid disbursed to Wales (and Scotland), would have sent a shudder through the Welsh property market. Ever since the 1950s, Wales has been a major recipient of regional development aid as it has sought to overcome the legacy of overdependence upon the coal and steel industries. As it is, last month's publication of a Government Bill designed to lead to "a significant reduction in planned expenditure on regional development grants," caused very little fuss. There is far more concern about the impact of the Severn Bridge's problems on the flow of inward investment in industrial south Wales.

The chief influences in the industrial and commercial property markets in Wales are: ● The investment and marketing activities of the Welsh Development Agency. ● The availability of Welsh Office selective financial assistance and urban development grants to encourage private sector developments; ● The Land Authority for Wales's powers to assemble sites, put in the necessary infrastructure and sell them on for development; ● The enterprise zones at Swansea, Flint in North Wales, Milford Haven, and now the new Freeport at Cardiff; ● The efforts of the Wales Tourist Board to stimulate private investment in new tourist facilities; ● The work of local authorities, and the growing number of enterprise trusts, to improve industrial and business infrastructure and accommodation; ● The major improvements still being made in the Welsh roads network. But the vital point is that, in keeping with government policy, virtually all the activities of the public sector institutions are being increasingly geared to stimulating private investment, notably in the property sector. As the recovery gets underway, albeit relatively slowly, they are triggering a range of interesting developments.

This last project is the most spectacular example to date of the WDA's growing merchant banking role. To get the project off the ground, it pulled together a venture capital package of £7m, which includes major City Institutional funds. In addition, there has been a growing number of expansions by longer-established, overseas-owned, companies such as National Panasonic and Sony and Welsh based-groups such as AB Electronics, Datatype Terminals and Dragon Data. AB Electronics is developing a major new facility at Rogerstone, Gwent, for the production of Acorn Microcomputers, sub-assemblies for the IBM personal computer, and electronic systems for the new Jaguar car.



The television production line at the Sony plant at Bridgend, part of the flow of high technology projects being attracted to Wales.

on a 64-acre industrial estate it is developing at Cross Hands. The more buoyant market for industrial property is not reflected to the same extent in the office sector. To Cardiff's great disappointment, there has been no follow-up to Chemical Bank's relocation of most of its UK activities from London to the Welsh capital. That said, agents report a better turnover of office suites and a lively demand for space in attractive locations. A rental of \$6 a sq ft has been agreed for 30,000 sq ft in Fitzalan Court, a new development by Campaign Properties aimed at the regional headquarters market which is due to be completed by the end of the year. A sign of better times to come is a more buoyant market for development land. According to Mr Ted Howells, chief executive of the Land Authority for Wales, there is much more interest from prospective buyers than six months ago. He does not see a boom but rather a gradual uplift in all three main sectors of the market.

established companies inside the boundaries have created 149 jobs since designation. The level of enquiries for space has been growing and Delyn has only one small unit left available. But the WDA has 17 units to let, ranging from 1,500 sq ft to 10,000 sq ft, and David McLean, a local developer, is building a 13,000 sq ft factory within the zone which can if necessary be divided into smaller units. Unfortunately, major re-development work has been slowed a little by a Welsh Office moratorium on local authority capital spending until April. This has held up clearance from large parts of the zone of old premises and the provision of infrastructure and new services.

continuing their involvement in the zone. The incentives of an enterprise zone are of course a declining asset. In Swansea's case they are due to expire in a little over seven years. As a result the council is already beginning to stress the inherent value of the zone as a prime industrial and commercial location and, as evidence is pointing out that some of the advance factory developments in the zone are being financed by a peccol fund which requires to take a long view.

Regional grants

It remains to be seen if Wales's reaction has been misjudged. In 1983-84 it received £182m in regional grants and the year before that £211m. In the fiercely competitive international market for new and expanding industries, Wales can ill afford any weakening in its incentives package. On the other hand there is an argument that the label "assisted area" is becoming a drawback, that it paints a now totally false picture of Wales as an area of industrial grime and coalpits. Furthermore, if the current regional policy review results in a shift towards greater encouragement of service industries, it could give a desirable boost to the growth of specialist and professional services, essential to a modern economy but which have tended to be under-represented in Wales.

Major stream North Wales, too, has been enjoying a stream of major new projects. The most spectacular last year was United Paper Mills's £125m investment in a new paper and newspaper mill. The most recent this year has been Angus Chemicals, a £8m U.S.-French fine chemicals venture. Overall, the WDA has let just about 1m sq ft over the past 12 months at gradually improving rents. Demand is most buoyant in the South East corner of Wales and in the Deeside-Wrexham area of North Wales. The gradual improvement is also reflected in the success local authorities have been having with small units. Torfaen borough council, for example, has only seven of the 27 workshop and small factory units it completed on the North Pontypool industrial park last May still unoccupied.

Further west, the Neath Development Partnership, a CBI-initiated partnership between the private sector and Neath borough council, has let 40 of the 50 small industrial units it has built in the past two years, even though the area has to compete with the attractions of the nearby Swansea Enterprise Zone. Still further west, Llanelli borough council has let all 31 units in a workshop complex completed a little over a year ago on Trostre Industrial park. It has also been able to allocate provisionally all available plots

Marked progress

Another important aspect of the current market in Wales are the changes still taking place in property perspectives as a result of communication improvements. Over the past year marked progress has been made in speeding up communications with west Wales, due to the opening of the Carmarthen bypass and the straightening of other key sections of the A40. In North Wales, work is now pressing ahead in earnest on the A55 dual carriageway which will provide a far faster link between the English border and Anglesey. Sharp improvements are also being achieved in communication links in the South Wales valleys, and in and around Cardiff, which are long-overdue. By all accounts the building of a dual carriage link between Cardiff and Merthyr Tydfil, which is currently experiencing a good demand for its existing units in the zone which augurs well for the future.

Forum established

Because of the EZ's fragmented character and the multitude of ownerships involved an upsurge in development is by no means assured. But in a bid to get things moving the two district councils involved, Pre-ell and South Pembrokeshire, have formed an EZ forum embracing other interested bodies such as Dyfed County Council and the Milford Haven Conservancy Board and have appointed a full-time EZ manager. The Welsh Development Agency (WDA) has also been called in to advise on a development and marketing strategy. Attracting projects to a site as far west as Milford Haven is not easy but communications have been improved significantly in the past year by trunk road improvements and the WDA is currently experiencing a good demand for its existing units in the zone which augurs well for the future.

Forum established

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£18m investment

Meanwhile, Swansea's Enterprise Zone is continuing to bear out its reputation as one of the more successful in the country. The amount of new floor space is now approaching the 1m sq ft mark, thanks to £18m of mainly private capital investment since the area's designation was first mooted in the 1980 budget. At the last count a total of 119 companies had moved into the zone, which is to be expanded shortly to take 100 H. Pearce group. It also includes consultant engineers Ove Arup and Partners, I. E. Symonds, the Cardiff quantity surveyors, and two Cardiff architectural partnerships, Lawray and Dale Kennedy. Mr Allan Pike, marketing manager of the project, says that the consortium is initially planning to develop 40 acres. It has the option of two Welsh Development Agency sites or Associated British Ports land which altogether add up to some 220 acres. It plans to begin construction within six months of the first units for companies wishing to take advantage of the freeport status.

Abrupt halt

Another measure of the Swansea zone's long-term attractiveness is that Comfort Inns are proposing to build a 127-room hotel with associated conference and trade exhibition facilities within the zone. It would have liked the added advantage of freeport status—for which it applied—but speculation over which Welsh port might secure freeport status was brought to an abrupt halt earlier this month by the Government's announcement that Cardiff is to be one of six in the UK. The developer to win the Cardiff prize is a consortium pulled together by Pearce (Wales), a subsidiary of the H. Pearce group. It also includes consultant engineers Ove Arup and Partners, I. E. Symonds, the Cardiff quantity surveyors, and two Cardiff architectural partnerships, Lawray and Dale Kennedy. Mr Allan Pike, marketing manager of the project, says that the consortium is initially planning to develop 40 acres. It has the option of two Welsh Development Agency sites or Associated British Ports land which altogether add up to some 220 acres. It plans to begin construction within six months of the first units for companies wishing to take advantage of the freeport status.



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PROPERTY IN WALES III



One of Llandudno's main shopping thoroughfares, Mostyn Street. A study recommends restoration of the cast iron verandas over the shops, a distinctive feature of the resort's Victorian traditions.

Resorts hope to attract entrepreneurs in entertainment schemes

Expansion at the seaside

BY THE end of this decade the elegant seaside town of Llandudno, queen of the Welsh resorts, will be enhanced by a major new attraction—a 70-acre American-style entertainment park along the lines of Disneyland and Legoland City, providing, that is, the Wales Tourist Board (WTB) can find an appropriate developer with some £53m to invest in the project.

This ambitious scheme is just one of a series of tourism and investment packages which the WTB is identifying and marketing to prospective investors in order to strengthen Wales's competitive edge in the tourism business and encourage expansion in one of Wales's most important industries.

Although competition from overseas resorts remains as fierce as ever, Wales has 12 per cent of the British holiday market and is doing well in the growing second holiday and short breaks sector. Yet the WTB is acutely conscious of the fact that the industry will only continue to prosper so long as it upgrades the quality of its attractions.

The Llandudno project is the

outcome of a £15,000 feasibility study which was also backed by the town's local authorities and by local interests. It is estimated that such an attraction could pull in 2m visitors a year to Llandudno, earn at least £12m per annum, give permanent employment to 300 people and seasonal employment to a further 330.

Themes

The proposed themes for the entertainment park include Alice in Wonderland, sun and seascapes from around the world, George Borrow's Wild Wales and the mediaeval history of the county of Gwynedd.

Another example of the WTB's new approach is its strategy for a chain of marinas around the Welsh coast. This was first published in 1982 and is now stimulating activity on the ground. Near Cardiff a local consortium has decided to go ahead with the redevelopment of Penarth's derelict dock as a marina, which will tie in well with Swansea's already completed marina. Developers are also showing interest in projects at Portlucaw, Aberystwyth and Pwllheli and more work is

going on in respect of Holyhead and Rhyl.

More recently, WTB published a detailed examination of Wales's historic resorts, designed to alert property investors and local authorities to the importance, in terms of visitor appeal, of repairing buildings and whole areas in traditional resorts in a sympathetic manner.

In Llandudno, for example, the study recommends the restoration, replacement and repair of the cast iron verandas which line the main shopping streets and a system of signing which would reflect the town's Victorian traditions.

For Aberystwyth the report suggests that a tourist enterprise precinct could be successfully linked in with the harbour redevelopment. In Colwyn Bay it says that Station Road probably has the greatest potential in North Wales for the revival of a high quality shopping enclave for the more affluent tourist.

Further WTB strategies are about to be unveiled for the inland water resources of Wales and the industrial valleys of the south. The first will identify specific development opportuni-

ties, using Wales's inland lakes, rivers and canals. The second will point the way forward for capitalising on Wales's unique industrial heritage.

Museum

A number of important projects has already gone ahead in industrial Wales, notably the conservation of Big Pit in Gwent's Eastern Valley as a museum for the once massive South Wales coal industry. In West Glamorgan the Neath Development Partnership has identified six projects requiring investment of up to £500,000 to develop the Neath Valley's tourist appeal. It has also got local interests together to form a tourist association to market the area's attractions.

Mr Gwyn Davies, WTB's development director, stresses that the overall strategy is also taking account of the need to avoid an overlap and duplication of specific themes and attractions. The Industrial Valleys Study, for instance, comes out against conservation of another coal mine as a museum—the Rhondda would like one of its own—but suggests different attractions for different valleys.

Big superstore proposals dominate the retail sector

Developers boost their shopping list

A RECENT survey of High Street shop rents by Bernard Thorpe and Partners in 45 towns and cities throughout Britain came up with the unexpected finding that prime sites in Cardiff are presently more expensive than Regent Street and Knightsbridge—£85 a square foot as against £70 and £60 in the London centres.

One possible explanation may be that Cardiff has a major new shopping facility in the shape of the St David's Centre. But it may also be a pointer to why Guardian Royal Exchange has gone to a public inquiry to contest Cardiff City Council's refusal to grant planning approval for its proposed £23m Queensgate development in the central shopping area of the city.

As proposed, Queensgate would be a Covent Garden-style speciality shopping centre complete with waterfall and pavement cafes. But the fear, being forcefully expressed in

the inquiry is that it will lead to Cardiff being oversopped.

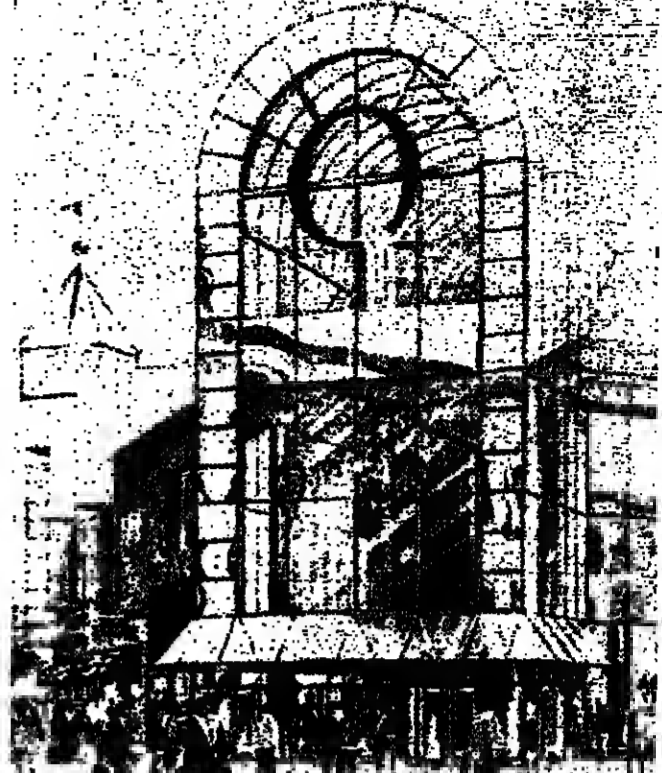
One witness claimed up to £30m in turnover would be siphoned off existing traders and that speciality shops in Cardiff's existing network of arcades would be closed.

An anchor

Moreover, should an anchor department store be eventually incorporated, as some Cardiff property experts feel would be necessary to make a success of the development, existing major stores would also be hit.

The nub of Guardian's case is that the city is being unduly cautious and that by the time the development is completed, rising prosperity and a greater inflow of shoppers from outside Cardiff would more than compensate for the increased competition. The outcome of the inquiry is awaited with considerable interest.

Fierce local authority resist-



Artist's impression of part of the £23m proposed Queensgate development in Cardiff by Guardian Royal Exchange, now the subject of a planning inquiry.

ance is not generally proving to be a problem when it comes to superstore development. Construction is continuing apace, despite the fact that Wales already has a far higher density of superstores per head of population than the UK average.

The Co-operative Retail Society's (CRS) Leo subsidiary, with 13 superstores in Wales already, is building three more at Ammanford, Cardigan and Cross Hands and seeking to build another two at Barry and Newport and with 10 per cent of its turnover earmarked for new developments it is on the lookout for fresh sites.

Pesco, with nine Welsh superstores, is also expanding, in some instances by the extension of existing stores. In one instance, however, it has run into opposition. This is on plans for a major new store on Cardiff's western outskirts, at Culverhouse Cross. However it is going to appeal.

The significant newcomer to the Welsh superstore scene is Sainsbury which is expanding westwards after years of limiting its presence to Cwmbran, One Sainsbury superstore has

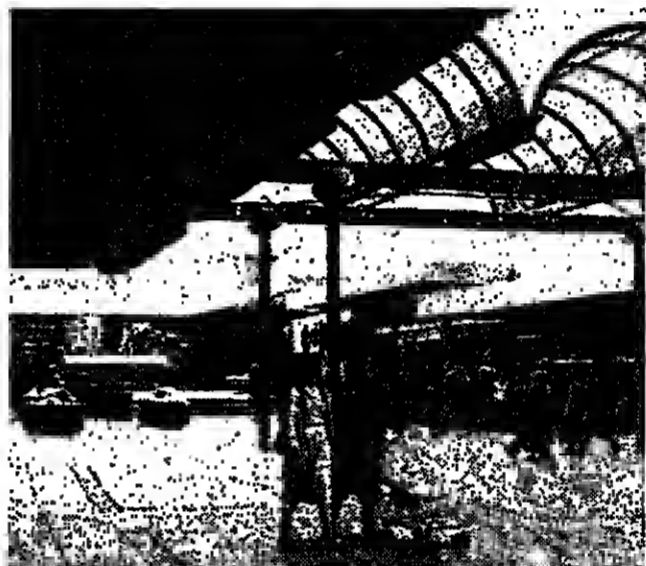
already opened in East Cardiff, another is under construction in the north of the city, and a £10m development is to go ahead on Swansea's eastern approaches as soon as demolition work on the derelict Weaver mill, now under way, is completed.

Five superstores

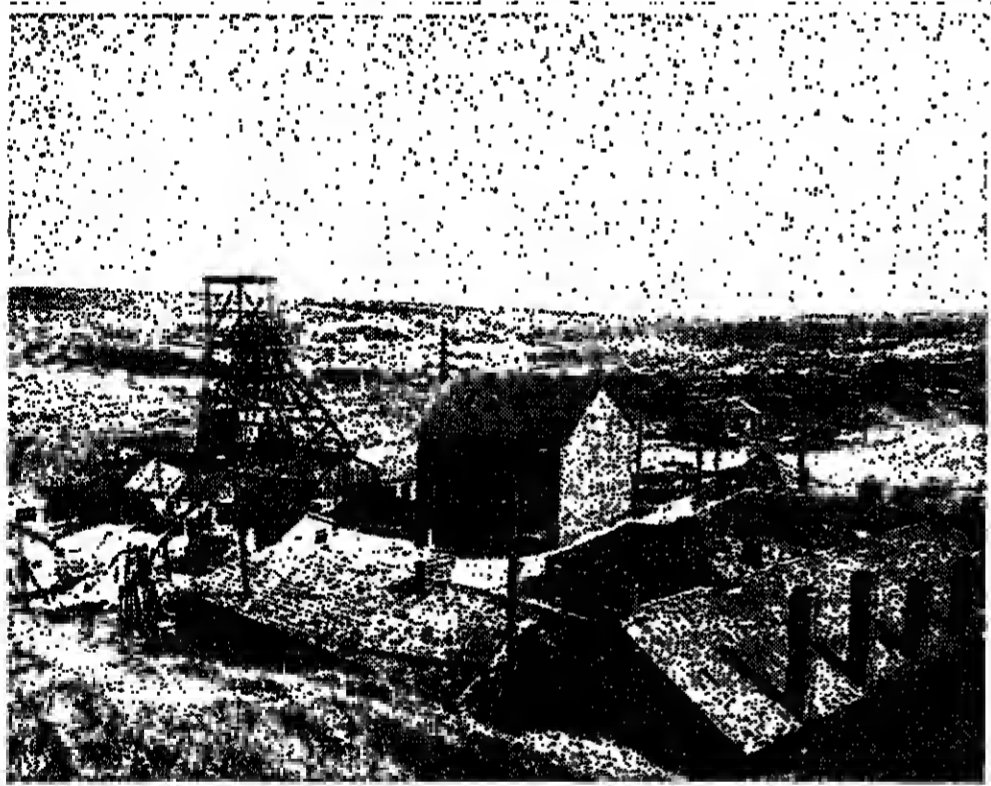
Last but not least, Asda has also decided to add to its five superstores in Wales by taking over an approval at Coryton, North West Cardiff, from BAT's International subsidiary.

All these retail investments, however, promise to be dwarfed by Wales' biggest ever retail deal—the impending sale of Cwmbran's shopping centre.

Extending to nearly 300,000 sq ft of shopping area, 168,000 sq ft of offices and parking for over 3,000 cars and counting Marks and Spencer, Woolco and Sainsbury among its tenants, it is being disposed of as part of the process of winding up the Development Corporation. Hillier, Parker, May and Rowden are the agents.



Up for sale: Cwmbran's distinctive shopping centre.



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FINANCIAL TIMES SURVEY

WALES

The Financial Times proposes to publish the above survey on

JUNE 28th, 1984

Should you require further information, please contact Anthony Hayes on:
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THE GOVERNMENT OF Through its wholly-owned subsidiary, National Hotels and Properties, Ltd., invites applications by February 24, 1984, to lease a major resort-hotel situated in the prestigious Ocho Rios area and which will become available shortly.

This beach-front hotel is situated on 22 prime acres with 265 bedrooms and meeting and banquet facilities for up to 600 persons.

For further information, contact: Mrs. Ouida Cooke Director of Leasing Unit - National Hotels and Properties Ltd. Suite 1200 110 East 59th Street New York, N.Y. 10022

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BOND DRAWINGS

ALLMÄNNA SVENSKA ELEKTRISKA AKTIEBOLAGET - A.S.E.A. US\$ 30,000,000 8 1/2% Bonds 1986

Table with columns for bond numbers and amounts, detailing the drawing process for the A.S.E.A. bonds.

Table with columns for bond numbers and amounts, detailing the drawing process for the A.S.E.A. bonds.

Bonds surrendered for redemption should have attached all unremitted coupons appertaining thereto. Coupons due March 1 1984 should be detached and collected in the usual manner.

UK COMPANY NEWS

Dale Electric maintaining recovery

Dale Electric International has maintained its recovery through a policy of more selective turnover and better control of costs and prices. In the first six months to October 30 1983 all group companies operated at a profit...

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

Dale Electric is making headway despite a lack of petrodollars for project finance. For this reason, the benefits of a favourable sterling rate have now had a more meaningful effect.

Munford retracts optimistic forecast

THE DIRECTORS OF USM company Munford and White have revised their profit forecast for the current year and now tell shareholders that the pre-tax result is unlikely to match that of the previous year.

Ergo plans £20m rights issue to finance expansion

BY GEORGE MILLING-STANLEY

FURTHER DETAILS have now emerged about the ambitious plans of South Africa's East Rand Gold and Uranium (Ergo) to expand its treatment of old mine wastes for the recovery of gold and uranium.

100 tonnes per month carbon-leach recovery plant at Daggafontein to treat 180m tonnes of material from 11 dumps in the Springs area. These dumps have been acquired from Ergo and its partner in the venture, East Daggafontein Mines, by Dumpeo, a wholly-owned subsidiary of East Daggafontein. The plant is expected to be commissioned in 1986.

Goode Durrant shortfall as UK profits slump 45%

A NEAR 45 per cent fall in UK profits resulted in Goode Durrant and Murray Group returning lower overall pre-tax profits of £2.62m against £2.77m for the year to October 31 1983.

year from banking services, continuing and financing fell to £975,000 against £1.23m and profits from house building and construction declined by £126,000 to £908,000. However, profits from the retail department store increased by £241,000 to £1.04m.

Wm. Ransom jumps 120% and further growth seen

AS EXPECTED, William Ransom & Son recovered sharply during the opening six months, pushing up its profits by £78,000 to £143,000 at the pre-tax level. Provided there is no slackening of demand this month and next, Mr M. H. Ransom, the chairman, expects the second six months to produce profits similar to or slightly higher than the £200,000 attained for the same period of last year.

gradual recovery which started in the autumn of 1982 has continued. The net interim dividend is held at 1.5p from earnings of 4.57p (2.08p) per 10p share. Tax accounted for £74,000, against £34,000, to leave available profits £35,000 ahead of £69,000.

Driefontein rockburst confirmed by inquiry

AN INQUIRY by the local chief inspector of mines has confirmed that the accident over the Christmas period in which a miner lost his life in South Africa's Driefontein Consolidated gold mine was caused by a rockburst.

2,000 metres (well over a mile) below surface in the No 5A longwall at West Driefontein's No 5 shaft. The mine is a member of the Consolidated Gold Fields group.

Gopeng group increases tin output

THE LATEST tin concentrate production figures from the producers in Malaysia's Gopeng group show growth rises from 10,900 tonnes in December 1982 to 11,700 tonnes in January 1983.

MINING NEWS IN BRIEF

THIS YEAR'S results of Canada's nickel-producing Inco are expected to improve "significantly" over those of 1983 which, as reported here on Wednesday, showed a net loss of U.S.\$234.9m (£166.3m) compared with a loss of \$203.3m for 1982.

from its 90 per cent-owned Vatukoula mine in Fiji in the 16 weeks between September 14 and January 1 totalled 11,944 oz. The underground operation treated 31,990 tonnes of ore at an average grade of 4.23 grammes of gold per tonne to produce 4,293 oz, while the open-pit treated 57,096 tonnes at 4.11 grammes per tonne and produced 7,531 oz of gold.

Palabora pays higher final

AFTER having seen their 1983 third quarter dividend reduced by 5 cents to 12 1/2 cents (10p), shareholders of the Rio Tinto-Zinc group's South African Palabora copper operation might well have prepared themselves for an exciting final payment, especially in view of the downturn in copper prices during the fourth quarter.

COMPANY NEWS IN BRIEF

Net asset value per 10p share of F. & C. Enterprise Trust increased from 23.6p to 23.4p as at December 31 1983. For the 12 months to that date, pre-tax revenue rose slightly to £117,542, compared with £115,110. After tax of £34,571, against £29,767, per share was 0.147p (0.138p).

2p net, and the directors say this is to reduce disparity. Last year's total was 5.75p from pre-tax profits of £4.72m. The company's revenue increased from £2.76m to £3.36m, but property and investment trading was down from £84,000 to £61,000. The contribution from operations up from £197,000 to £255,000, and listed investment income was £33,000 (£54,000). Net interest payable was higher at £1.33m compared with £1.1m. First half pre-tax profit of £758,000 (£1.01m) and there were minorities of £23,000 (£10,000).

December 31 1983, the trust managed to boost the net asset value of its shares by more than 27 per cent, from 202.6p to 259.3p. Franked income totalled £12m (£11.3m), while unfranked income was slightly lower at £391,000 (£404,000). The interest charge was £33,000 (£46,000) and administration expenses were £120,000 (£113,000). Pre-tax revenue for the year was £1.42m (£1.38m) on which there was a tax charge of £57,000 (£69,000), leaving earnings per share at 7.86p (7.41p).

A.P.S. GROUP LIMITED £1,000,000 Ordinary Shares. The group comprises SHANNING INTERNATIONAL LTD, (total hospital equipment packaging) A.P. CONTROLS LTD, (medical systems engineering/controllers) APPLIED PNEUMATICS LTD, (compressed air plant/pneumatic systems).

Concentric. The following points were made at the annual general meeting: Although demand is holding it is not easy to achieve greater profitability. Owing to growing nationalism it is increasingly difficult to sell in many export markets. Are you buying British?

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Finance and the small business. In this week's Investors Chronicle see our special 14 page guide to development and venture capital facilities and business expansion schemes funds. Plus articles on: which direction government policy is heading, new firms for old: stories of two management buy outs, who is satisfying small firms' hunger for cash, how the USM boom has aided venture capitalists. At leading newsagents now. Buy it today.

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US\$100,000,000 Merrill Lynch Overseas Capital N.V. (Incorporated with limited liability in the Netherlands Antilles). Guaranteed Floating Rate Notes due 1987 Unconditionally Guaranteed by Merrill Lynch & Co., Inc. In accordance with the terms and conditions of the above-mentioned Notes and Fiscal Agency Agreement dated as of April 15, 1981, between Merrill Lynch Overseas Capital N.V., Merrill Lynch & Co., Inc., and Citibank, N.A., notice is hereby given that the Rate of Interest has been fixed at 10 1/2% pa and that the interest payable on the relevant Interest Payment Date, May 10, 1984 against Coupon No. 12 in respect of US\$5,000 nominal of the Notes, will be US\$125.78. February 10, 1984, London By: Citibank, N.A. (CSBI Dept), Agent Bank CITIBANK

Holborn Fund Management (Guernsey) Ltd., P.O. Box 61, Bermuda House, St. Julian's Ave., St. Peter Port, Guernsey. 0481-26268. Holborn Currency Fund Limited. Prices as at 9.2.84. Mgd. £ 96.2p, Mgd. US\$ 59.6p, £ Dep. 100.4p, US \$ Dep. 9.2p, Bid 96.5p, Offer 59.6p, 100.7p, 9.2p, DM Dep. DM 50.01, DM 50.20, Sw Fr Dep. Sw Fr 101, Sw Fr 50, J. Yen Dep. Yen 5,002, Yen 5,021

BIDS AND DEALS

Taddale bid rejected by Prince of Wales

By Charles Batchelor Prince of Wales Hotels yesterday rejected a £7.25 cash bid from Taddale Investments, the industrial holding group which recently failed in its attempt to gain a Stock Exchange listing.

Fisons first major U.S. acquisition

BY DAVID DODWELL

Fisons, the UK group which manufactures agrochemicals, pharmaceuticals and scientific instruments, has agreed to purchase Curia Matheson Scientific (CMS) from the private U.S. company Coulter Electronics.

The deal boosts Fisons' scientific instrument operations, which now account for almost 50 per cent of group turnover. In the U.S. in particular, the expansion will counterbalance its pharmaceutical and horticultural operations, Mr Kerridge said.

Ferranti pays £6.4m in U.S. expansion

By Charles Batchelor

Ferranti, the electronics group, is to pay about \$9m (£6.4m) to buy TRW Controls Corporation of the U.S., a manufacturer and supplier of control, data acquisition and energy management systems for the gas, electricity and all distribution industries.

Early acceptance by Prudential in £11m offer for F. Miller

BY RAY MAUGHAN

Prudential Assurance made an early and potentially decisive move in the battle for control of Glasgow-based F. Miller (Textiles) when, a week before the final bid deadline, it accepted the contested £11m equity offer from Nottingham Manufacturing.

Sunlight acquires rival's subsidiary

BY RAY MAUGHAN

THE LONG struggle for dominance in the laundry and cleaning industry came full circle yesterday when Sunlight Services Group acquired a subsidiary of Fritchard Services Group, one of the key protagonists in the series of battles which lasted more than one year.

Pritchard to carry the day, but Brengreen's bid for Sunlight narrowly failed. In the latest deal, Sunlight is paying Fritchard £2.5m for its subsidiary.

The deal boosts Sunlight's scientific instrument operations, which now account for almost 50 per cent of group turnover. In the U.S. in particular, the expansion will counterbalance its pharmaceutical and horticultural operations, Mr Kerridge said.

Comtech sells subsidiary for £2.5m

Combined Technologies Corp., a designer and manufacturer of control systems, has agreed to sell its wholly-owned subsidiary Tricom Supplies to Walter Lawrence, a construction and engineering concern.

Terms for Gleneagles are final

BY DAVID DODWELL

Arthur Bell, the Scotch whisky distiller, yesterday squashed all remaining hopes of an improvement on its £27m all-share bid for Gleneagles Hotels when it declared its offer final.

with shareholders accounting for 47 per cent of the company. Gleneagles shares proclaimed that these shareholders remained "resolutely behind the board," and intended to snuff the Bell offer.

3i extends its offer for Edith

BY DAVID DODWELL

Investors in Industry—now known as 3i—yesterday extended its bid for Edith, the investment trust, which values the company at £54.75m.

Table with 3 columns: Liability, Amount, and Change. Includes items like Capital, Public Deposits, Bank Deposits, and Reserve and other Accounts.

ISSUE DEPARTMENT

Table with 3 columns: Liability, Amount, and Change. Includes items like Notes Issued, in circulation, and in Banking Department.

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